



United States
Department
of Agriculture

LDP-M-117

March 23, 2004



Electronic Outlook Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

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Avian Influenza Outbreaks Reduce Broiler Export Expectations

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The next release is
April 14, 2004

Approved by the
World Agricultural
Outlook Board.

The U.S. poultry industry continues to be rocked by Avian Influenza (AI). There now have been outbreaks in Delaware, New Jersey, Pennsylvania, Texas, and most recently in Maryland. Due to the export bans or restrictions by other countries, the forecast for broiler exports was lowered to 4.955 billion pounds. Based on previous AI outbreaks, it is assumed that their national bans will be regionalized to specific States, provided there are no further outbreaks of AI. Mexico has already announced that exports from some States can resume. Despite expected lower exports and increased production in 2004, broiler prices are forecast record high. Prices are expected to average 69-73 cents per pound this year, compared with 62 cents last year.

Strong beef demand and poor feedlot performance due to poor feeding conditions are helping to offset the negative impact of the export ban on U.S. beef and cattle since the discovery of a BSE-infected cow last December. The beef production forecast is below earlier expectations because of a slower-than-expected slaughter pace and severe winter weather that kept weights below last year. Lower expected beef supplies and continued firm demand in the meat sector are helping support prices.

Forecasts for first-half 2004 hogs and pork products prices moved higher at the same time that 2004 slaughter and production are shaping up to be larger-than-earlier expected. Despite the depreciated value of the U.S. dollar, record-large numbers of imported Canadian feeder pigs and slaughter hogs are moving slaughter and production upward, while pork consumers—domestic and foreign—appear willing to pay higher prices for greater supplies of pork products. Consumer interest in high protein diets, relatively high prices for substitute animal proteins, and strong Asian demand for U.S. pork products, are the major factors driving the pork market right now.

Dairy sector conditions in 2004 promise to be considerably different from 2003, which was a year of transition. The period of surging dairy farm expansions and very low exit of weaker farms, both triggered by the generally high returns of 1996-2001 has ended. Farm structural changes in 2004 are likely to show the effects of the low 2002-03 returns, while milk per cow is beset with a number of possible weaknesses. Dairy product use moved out of its late 2001-2002 weakness by the end of 2003. Demand this year appears to be mostly back to normal, with moderate stocks providing dairy markets better balance. Prices are expected to recover this year as milk production hovers near the levels of the past 2 years.

Avian Influenza Outbreaks Cloud Trade Outlook

The U.S. poultry industry continues to be rocked by outbreaks of Avian Influenza (AI) in various States. There have been outbreaks in Delaware, New Jersey, Pennsylvania, Texas, and most recently in Maryland. The outbreak in Maryland was at a commercial broiler operation and located where there are a large number of other operations within a relatively short distance. The current assumption is that the countries currently banning all U.S. poultry shipments will, over time, eventually target specific States, provided there are no further outbreaks of AI. The timetable for this regionalization process will vary from country to country. Mexico recently announced that some exports from the United States can resume. There are restrictions on what products specified States can export to Mexico and on the storage of poultry products in Texas before entering Mexico. Due to the number of bans or restrictions placed on the export of broiler products, the forecast for broiler exports was lowered to 4.96 billion pounds from the previous forecast of 5.28 billion pounds.

Broiler Production Rises in January, Production Expected Higher in 2003

Broiler production for January 2004 was reported at 2.84 billion pounds, up 2.3 percent from the previous year. Weekly chick placements are continuing to average about 1.5 percent higher than the previous year, and the forecast for broiler production in the first quarter of 2004 is now almost 8.1 billion pounds, 3.6 percent higher than a year ago. Along with the increase in the number of chicks being placed for growout, the average weight of birds at slaughter has been running over 2 percent higher than the previous year. The overall broiler production estimate for 2004 is now 33.93 billion pounds, up 3.6 percent from 2003.

Revisions in broiler production contained in the *Poultry Slaughter-Annual Summary* for 2003 increased total broiler production for 2003, to 32.75 billion pounds, up 1.6 percent from 2002. The increase is due to an increase in the average weight at slaughter, as total broiler slaughter declined slightly.

A strong domestic economy and relatively small growth in broiler production has pushed prices for broiler products well above year-earlier levels. Over the first 2 months of 2004, the 12-city whole broiler price has averaged 71.8 cents a pound, 19 percent higher than during the same time in 2003. Prices have also risen for other broiler products. Prices for boneless-skinless breast meat in the Northeast market averaged \$1.69 per pound during January and February, 24 percent higher than the previous year. Prices for rib-on breasts averaged 96.4 cents per pound, up 15 percent from the same time in 2003. Prices of these products, which are mostly sold on the domestic market, have risen due to the combination of a strengthening economy, strong prices for other protein products, the effects of consumer reaction to the BSE situation, and high-protein diets increasing broiler demand. Prices for other broiler products, more dependent on the exports market, have also moved significantly higher. Leg quarter prices in January and February averaged 34.6 cents per pound, up 73 percent from the same period in 2003. The same pattern can be seen for wings, up 72 percent and thighs, up 32 percent. Even with a forecast of higher production in 2004, domestic broiler prices are expected to remain strong. How strong will depend on both the domestic economy and how quickly other countries relax bans and restrictions on imports of U.S. poultry products.

Turkey Production Seen Down in 2004

Turkey production in 2004 is forecast at 5.63 billion pounds, down about 25 million pounds from the previous year. Over the last 13 months, the number of poult placements for growout has only been above its year-earlier level once. While prices for turkey products have begun to strengthen, they have not shown the price strength that broiler products have.

The lower poult placements are expected to result in lower turkey production over the first half of 2004. Turkey stocks at the end of January were down 9 percent from the previous year, a wide departure from the beginning of 2003 when they were up over 30 percent. Smaller stocks of both whole birds and parts, along with lower production is expected to gradually strengthen prices over

2004. The outlook for turkey production and prices has been helped by Mexico's announcement that poultry exports from the United States can resume, under certain restrictions. While no turkey production operations have tested positive for AI they have been under the same trade bans as broilers. Also, Mexico accounts for about 50 percent of all U.S. turkey exports.

Revisions in turkey production slightly raised 2003 production to 5.65 billion pounds, still down 1 percent from 2002. The decrease in turkey production was the result of a lower number of birds being slaughtered, as the average weight was unrevised.

Poor Feedlot Performance Offsets Export Supplies, Supporting Prices

Strong beef demand and poor feedlot performance due to poor feeding conditions are helping to offset the negative impact of the export bans on U.S. beef and cattle since December 23. Additional help is on the way as the United States, Canada, and Mexico finalize protocols that will allow beef and cattle to move within the three NAFTA countries. Safety certification issues were resolved with Mexico on March 9, and three U.S. plants were approved to begin shipping boneless beef from cattle under 30 months of age to Mexico. The three countries also are likely to resolve issues regarding beef processed on a supply line dedicated to cattle under 30 months of age.

First-quarter beef production is expected to decline about 6 percent as the supply of market-ready cattle slows due to poor feedlot performance. Steer and heifer federally inspected slaughter weights in late February were averaging 25 to 30 pounds under a year earlier. However, weights are expected to move well above year-earlier levels this spring and throughout the rest of the year, particularly in comparison with the sharply lower weights in 2003. Dressed slaughter weights in first-half 2003 were also held down by poor weather conditions, then in the second half as weather conditions improved, fed cattle were marketed ahead of schedule due to the ban on importing beef and cattle from Canada and very tight beef supplies. First-quarter slaughter weights will likely be near 10 pounds below last year's low level and about 16 pounds below the 2002 record. Weights seasonally decline into late April-early May depending on weather conditions.

Cow slaughter has dropped sharply below the large year-earlier levels. Total cow slaughter rose 6 percent in 2003, the largest slaughter since 1997. First-quarter cow slaughter is expected to decline about 12 percent, with the sharpest declines occurring in beef cow slaughter. Cow slaughter will likely remain well below the large recent levels for the next several years, but forage conditions remain an important determinant. Steer and heifer slaughter, while remaining below year-earlier levels this year, are expected to rise

seasonally through summer. Dressed weights are expected to rise above a year earlier in late spring, likely exceeding 2002's record setting pace in the second half of the year as demand for higher grading beef remains strong and beef supplies tighten into fall.

Beef Supplies Remain Tight, Demand Strong

Retail Choice beef and Choice boxed beef prices remain sharply above year-earlier levels in early March, but below the peak set last fall when high quality beef supplies were extremely tight. Retail prices for Choice beef likely averaged in the \$3.90-range in February, down from November 2003's record \$4.32, but well above the \$3.48 in February 2003. With certification issues being resolved with Mexico and Canada, trade will resume with both countries, but U.S. beef supplies will tighten, with prices remaining historically high. However, some pressure on domestic prices is reduced as product normally destined for Japan and South Korea is available domestically. Retail prices are expected to fall below the rapidly rising prices of a year earlier beginning this spring, but remain above previous years' averages. Any opening of banned markets as negotiations continue will add to an already volatile price situation. A return to favorable forage conditions this spring and at least normal conditions in the grain production areas are expected to result in female retention and further tightening of supplies for the next 2 to 3 years.

Fed cattle prices averaged near \$80 per cwt in January-February and rose into the mid-\$80s in March as slaughter weights declined. Prices are expected to decline into the low-\$70s this summer before rising to the upper-\$70s this fall as supplies decline seasonally and cyclically.

Yearling feeder cattle prices remain fairly stable, averaging in the mid-to-upper \$80s per cwt. Feeder cattle supplies at the beginning of the year were 4.5 percent below a year earlier, and if heifer retention begins, supplies will tighten even more in 2004. Even with only normal forage conditions, demand for stocker cattle for grazing this spring and summer will be strong, but profit margins will be difficult to achieve unless grain prices rise

sharply, placing a premium on heavy feeder cattle. Prices are likely to remain in the mid-\$80s for much of the year.

Prices for Utility cull cows have averaged in the mid- to upper-\$40s for much of the past year, and prices are expected to remain strong in 2004.

Prices for 90 percent lean trim strengthened along with the other beef items in general through last fall. However, rather than declining, lean beef prices have strengthened even more into the winter quarter as cow slaughter declined.

Exports Expected to Pick Up to Mexico

U.S. beef exports for 2004 are forecast to total 430 million pounds, an increase of 210 million pounds from the 220 million pounds expected last month. The main reason is due to the conditional removal of the ban on U.S. beef imports by [Mexico](#). The flow of beef to Mexico is to be governed by protocols defining product characteristics and verification procedures. Product flow is likely to accelerate in the second quarter of 2004 as the protocols are fully implemented and more plants are certified. This pattern would be similar to that observed on the imports of Canadian beef into the United States after the U.S. ban on Canadian product was lifted in August 2003.

The renewed flow of beef exports to Mexico later in 2004 is partly offset by a downward revision in exports to Canada during the first quarter. Negotiations on protocols regulating shipment of U.S. beef to Canada began immediately after the cow with BSE was discovered in Washington State on December 23, 2003. However, weekly shipments of beef out of the United States have totaled only about 100 tons (product weight) per week since then, including limited shipments of beef to a few other minor markets. First quarter export estimates are reduced from 50 million to 10 million pounds.

Nearly all of the additional 250 million pounds of exports added to the last three-quarters of 2004 are expected to go to Mexico. By the third quarter, U.S. beef exports to Mexico are expected to average about two-thirds of the 155 and 156 million pounds reached in the fourth quarters of 2001 and 2002. Exports are expected to be limited because beef from U.S. cattle over 30 months of age (largely culled cows) remains banned, while Canada will be a strong competitor in the market for beef products from animals under 30 months of age. Canada is expected to slaughter a record 4 million cattle this year from large beginning inventories, as its exports of live animals to the United States remain banned. Not only may Canada have an ample supply of boneless beef cuts from younger animals but supplies of processing beef from nonfed steers and heifers under 30 months of age are also likely to remain high. A

large proportion of this beef will be forced into the export market, either in the United States or Mexico, even at declining prices.

High U.S. Beef Prices and Exchange Rates Will Influence U.S. Beef Exports

Continuation in the weakness of the U.S. dollar against the Canadian dollar could somewhat mitigate the low Canadian export prices and favor substitution of U.S. for Canadian beef in Mexico. Between the first 2 months of 2003, for example, and the first 2 months of 2004, the U.S. dollar lost 14 percent of its value against the Canadian dollar. That would make U.S. product 14 percent cheaper than Canadian product, other things being equal, and give U.S. beef some advantage against the large Canadian supplies. However, if the U.S. dollar does not remain weak against the Canadian currency, the opposite situation could prevail, and some recent evidence suggests this possibility. Between January and February of this year, the U.S. dollar appreciated against the Canadian dollar, buying an average of only 1.3 Canadian dollars in January but 1.33 in February, according to the [Federal Reserve Bank](#).

In any case, U.S. beef exports to Mexico may also be limited by continued weakness of the Mexican peso and high relative U.S. prices. The peso began its latest cycle of weakening from a monthly average 9.1 pesos-per-dollar in March 2002, to nearly 11 pesos-per-dollar in February 2003, and reached 11.25 pesos-per-dollar in December 2003. In 2004, the peso has been trading around 11-to-1. While the United States did export a record 629 million pounds of beef to Mexico in 2002, the falling peso during that year may have contributed to fourth-quarter 2002 exports being only flat, compared with fourth-quarter 2001 exports. U.S. beef exports to Mexico dropped 10 percent in first-quarter 2003, compared with the same quarter one year earlier, and U.S. exports to Mexico the first three-quarters of 2003 were flat, compared with the record levels achieved in the first three-quarters of 2002.

Very tight U.S. fed beef supplies at record prices were also responsible for limiting U.S. beef exports to Mexico in 2003, and U.S. prices are expected to remain at historically high levels. In addition to

the 20-percent depreciation of the peso between March 2002 and February 2003, U.S. fed cattle prices increased about 10 percent, compared with first-quarter 2002, to average \$77.82 per cwt in first-quarter 2003. This means that the decline in U.S. beef exports in first-quarter 2003 occurred with fed beef prices about 30 percent higher than a

year earlier, when expressed in pesos. With fed cattle prices in the United States expected to average \$74-76 per cwt in 2004, beef prices are likely to remain relatively high in terms of pesos and limit Mexico's ability to import U.S. beef, unless the peso were to strengthen significantly.

Higher Hog and Pork Prices Expected

Price forecasts for first-half 2004 hogs and pork products moved higher at the same time that 2004 slaughter and production are shaping up to be larger-than-earlier expected. Despite the depreciated value of the U.S. dollar, record-large numbers of imported Canadian feeder pigs and slaughter hogs are ratcheting slaughter and production upward, while pork consumers—domestic and foreign—appear willing to pay higher prices for greater supplies of pork products. Consumer interest in high protein diets, relatively high prices for substitute animal proteins, and strong Asian demand for U.S. pork products, are the major factors driving the pork market right now.

U.S. Pork Production Edging Higher on Larger Slaughter

Pork production is expected to be 20.3 billion pounds of pork in 2004, on a slaughter of more than 102 million head of hogs. At the margin, U.S. hog slaughter and pork production are each being ratcheted higher by U.S. hog finisher demand for Canadian feeder pigs, and by U.S. processor demand for Canadian slaughter hogs. Weaker product demand and a lower slaughter in Canada make U.S. processor offers more attractive to sellers of Canadian slaughter hogs. On a cumulative basis through February 21, 2004, Canadian slaughter was 1 percent lower compared with the same period last year, while cumulative U.S. slaughter over the same period is running about 1 percent ahead of last year.

USDA's Animal and Plant Health Inspection Service (APHIS) data suggest that imports of Canadian feeder pigs so far in 2004 are running significantly ahead of the same period last year. Through the third week of February, APHIS reported that more than 1.4 million swine were imported from Canada, 66 percent of which were feeder animals. Last year during the same period, less than 1 million animals came across the border, 70 percent of which were feeder animals.

Canadian Hogs Become an Important Component of U.S. Hog Supply

Data sources from both the United States and Canada suggest that the integration of U.S. and Canadian hog production into a North American industry continues. Effectively, part of the U.S. breeding herd has been replaced by breeding herd increases in Canada. APHIS data show that a significant share of imported Canadian swine originate in Ontario and Manitoba. Statistics Canada's most recent issue of *Hog Statistics* shows breeding herds in Ontario and Manitoba were 6.3 and 5.5 percent greater in January 2004 than a year earlier. Swine enterprise budgets published by the [Ontario Ministry of Agriculture and Food](#) show that only farrow-to-wean operations were profitable in 2003. On a cumulative basis, farrow-to-wean operations in Ontario earned \$CN 1.17 per sow, while other hog production operations (farrow-to-feeder pig, farrow-to-finish, finishing) lost between \$CN 158 and \$CN 242 per sow in 2003.

Hog and Pork Prices Higher, Despite Larger Supplies

The first quarter price of U.S. 51-52 percent lean hogs (live equivalent) is expected to average between \$42 and \$43 per cwt (hundredweight). The first quarter 2004 hog price forecast is 20 percent above first-quarter 2003, while pork production is likely to run more than 3 percent ahead of last year. Part of the reason that packers are paying more for hogs this quarter is because wholesalers are paying higher prices for pork products. For January-February, the USDA Estimated Pork Carcass Cutout has averaged \$62.29, 17 percent higher than the same period last year. Higher carcass values likely reflect domestic consumers' willingness to pay more for pork products, and increased foreign demand for U.S.

pork products in the face of reduced supplies of both imported beef and poultry products due to disease bans or restrictions. First-quarter 2004 retail pork prices are expected to average in the upper \$2.60s per pound, about 2 percent higher than in the same period last year.

Two factors likely explain U.S. consumers' willingness to pay more for greater quantities of pork: First, prices of substitute animal proteins—beef and poultry—are significantly higher than a year ago. Retail beef prices have indeed declined since discovery of a BSE infected animal on December 23, 2003, but first-quarter 2004 beef prices remain 12 percent above a year earlier. First-quarter 2004 retail chicken prices are almost 7 percent higher than last year, due primarily to lower growth in the U.S. poultry industry. Higher relative prices for beef and poultry make pork products more attractive to U.S. consumers. When consumer demand increases faster than pork supply, prices rise.

Another factor driving hog and pork prices higher in the first quarter—despite larger pork supplies—appears to be a discrete jump in consumer demand for all animal protein—beef, pork, poultry, eggs, and dairy products. Anecdotal evidence in the popular media, as well as in the industry/trade press, supports the hypothesis that significant numbers of weight-conscious U.S. consumers have increased consumption of animal proteins in pursuit of weight control/loss goals. U.S. consumers appear willing and able to pay higher prices for available supplies of pork products.

Foreign demand for U.S. pork is also contributing to the escalation of U.S. pork prices. With important Asian markets closed to both North American beef and poultry from Avian Influenza affected countries, importers have few alternatives to pork products. Moreover, the depreciated value of the U.S. dollar makes U.S. pork products highly attractive to Asian importers. Foreign demand thus combines with strong domestic demand to bid pork and hog prices to higher-than-earlier anticipated levels.

2003 Exports Increase Almost 7 Percent; Strong Growth in 2004 Expected

The United States exported over 1.7 billion pounds of pork products in 2003, more than 6 percent above the previous year's total. Japan, Mexico, and Canada together accounted for almost 80 percent of total U.S. pork exports. A lower valued dollar and economic growth created demand for U.S. pork products last year. The same factors, together with disease-related foreign market closures to beef and poultry will likely spur U.S. pork exports this year.

Japan imported more than 790 million pounds of U.S. pork products last year, an increase of more than 2 percent over 2002. Over 50 percent of total U.S. pork exports were sent to Japan, making it by far the largest overseas market for the U.S. pork industry. Last year, a respectable rate of economic expansion and a relatively strong yen likely pushed Japanese pork imports higher. The same factors again favor higher Japanese imports this year. And clearly, the closure of Japanese markets to imports of North American beef and to poultry from AI-afflicted countries creates very strong opportunities for pork exporting countries. The relatively cheap dollar will help to make U.S. pork products especially attractive to Japanese buyers compared with Canadian and Danish products, the other major international products in the Japanese market.

Canada received about 10 percent of U.S. exports last year. U.S. exporters shipped 191 million pounds of pork to Canada last year, an increase of almost 2 percent over 2002. In 2004 U.S. exports to Canada are likely to increase on the strength of the high degree of integration that exists between the Canadian and U.S. pork markets. This factor, together with the lower valued U.S. dollar, creates opportunities for companies to source pork products in the United States for sale in Canada.

After contracting in 2002, Mexican demand for U.S. pork products increased more than 11 percent

in 2003. Mexico imported almost 350 million pounds of U.S. pork in 2003, accounting for almost 18 percent of U.S. exports last year. A recovering economy largely explains expansion of pork demand in Mexico last year. Because of the positive relationship between economic growth and meat demand in Mexico, strong economic growth prospects for 2004 bodes well for continued expansion of Mexican imports of U.S. pork products.

U.S. Imports Higher in 2003, Expected To Be Flat in 2004

The United States imported 1.2 billion pounds of pork in 2003, almost 11 percent more than in 2002. As in past years, Canada and Denmark were the primary sources of foreign pork in 2003. Canada accounted for 81 percent of U.S. imports last year, and 13 percent of imports were sourced from Denmark. Import growth slowed in the later quarters of 2003, as the value of the U.S. dollar declined. The relatively weak U.S. dollar will likely hold 2004 imports to about even with those of last year.

Fundamentals of Canadian Market To Improve in 2004, but U.S. Imports Again Likely To Be Record

U.S. imports of Canadian hogs were record-large last year at 7.4 million head, almost 30 percent more than in 2002. Three key factors explain the increase: first, appreciation of the Canadian dollar made Canadian pork products less competitive in foreign markets, weakening Canadian packers' margins and spelling "trouble" for an industry that exports fully half of its pork production. Second,

the identification of a BSE-infected cow in May appeared to shift Canadian consumers' demand from pork to beef, compounding an already difficult situation. And third, new feeder pig operations in Ontario and Manitoba, built to meet U.S. hog finisher demand, came on line in 2003. When added to increased numbers of slaughter animals coming across the border, the aggregate numbers were record.

January 1, 2004, breeding herd inventories (up 6 percent) recorded by Statistics Canada in Manitoba and Ontario—the source of most imported Canadian feeder pigs—make it likely that increased numbers of feeder animals will cross the border in 2004. Slaughter hog imports are expected to decline however, given strong Asian demand for pork products. The lower valued U.S. dollar will translate into fewer Canadian dollars, making feeder pig operations less profitable this year. But with hog prices driving strong hog finishing demand in the United States, and few marketing alternatives in Canada, it is likely that U.S. imports of Canadian hogs will be record large--7.8 million head--again in 2004.

National Pork Producers' Council Files Anti-Dumping Petition

On March 5, the National Pork Producers' Council (NPPC) and other state pork production organizations charged in petitions filed with the U.S. Department of Commerce and the International Trade Commission, that "subsidies" paid by the Canadian Government are enabling Canadian hog producers to "dump" live hogs in the U.S. market. The petition will shortly be made available on the web site of the [International Trade Commission](#).

Dairy Outlook for 2004

Last year was a year of transition. The surge in dairy farm expansions and the period of very low exit of weaker farms, both triggered by the generally high returns of 1996-2001, finally came to an end. Meanwhile, dairy product demand was slowly moving out of its late 2001-2002 weakness. It only remained to work off the huge butter stocks before dairy markets could return to better balance—something that was accomplished by yearend.

Conditions in 2004 promise to be considerably different. Farm structural changes are likely to show the effects of the low 2002-03 returns, while milk per cow is beset with a number of possible weaknesses. Demand appears to be mostly back to normal, and stocks are moderate. Prices are expected to recover this year.

Demand Slowly Recovering

Recent patterns of commercial use illustrate how the structure of dairy product demand has changed over the years. Restaurant use of butter and cheese began to weaken in late 2001-early 2002 in response to economic softness and shifting consumer expenditures. This weakness persisted well into 2003. By late in the year, economic recovery had brought restaurant spending back, and cheese and butter use were showing some strength. However, dairy demand from this sector still lagged the very brisk 1999-2001 period.

Food processor use of dairy products as ingredients was particularly sluggish during the last 2 years. Dairy products are generally used to boost quality in premium versions of foods, a position that makes them vulnerable when consumers become more conservative about food spending. There may have been a modest recovery in ingredient use late in 2003, but this segment generally remains weak.

The retail segment was a bit more robust than the other segments in 2003 but was somewhat sluggish most of the year. Consumers seemed to be passing by the treats they had bought in earlier years. However, the autumn holiday season reportedly was the strongest in a number of years.

Despite generally favorable dairy prices in 2003, commercial use grew only modestly. Milkfat sales grew about 2 percent following 2002's fractional increase. The 2003 use of skim solids was about 1 percent larger than in 2002, after no growth that year. Cheese sales rose only about 1 percent as a slip in American cheese use offset part of the gain for other varieties. Restaurant woes may have been particularly important for American cheese sales. Commercial disappearance of butter rose 1 percent in 2003, as strength late in the year overcame early declines. However, butter use probably was even stronger than autumn disappearance data indicate because the very disappointing 2002 holiday season probably had left swollen pipeline holdings at the start of 2003. Fluid milk sales slipped fractionally, while use of most perishable manufactured products was weak.

Dairy demand appears to have gained some momentum during 2003 and is expected to continue its recovery this year. The restaurant segment is projected to do better, and ingredient use should come back somewhat. However, the improvement as yet has not been either steady or strong. Consumer spending may stay unsettled. In addition, it is unclear what the effects of recent intense media attention on weight problems might be.

Commercial use of all dairy products is projected to grow about 1 percent on a milkfat basis in 2004. Boosted by expected larger ingredient use, commercial use on a skim solids basis is projected to rise more--about 2 percent. Although welcome, these increases represent only modest recovery in dairy demand.

Milk Production Slows

Milk per cow grew only fractionally in 2003. More tellingly, the rise from the 5-year moving average was dramatically below the long-run trend. However, this has been far from unusual in recent years. Expansion has been well below average for 3 straight years and for 6 of the last 8 years.

A number of factors contributed to last year's sluggish gains in milk per cow. Milk prices were low relative to concentrate feed prices. Although the milk-feed price ratio does not shape gains in

output per cow as much as formerly, recent ratios have made producers cautious about boosting concentrate feeding. In addition, 2003 resembled 2002 in having large amounts of mediocre alfalfa hay but tight supplies of good hay.

Other factors probably included an unusually large share of first-calf heifers in the milking herd and somewhat conservative use of bovine somatotropin (BST). Supplies of heifers available to start production in 2003 were quite large, a welcome relief from the heifer shortage of 2002. But, such a large cohort of heifers serves to lower average milk per cow the first year. Low milk prices probably made farmers leery of using BST on cows other than those with high odds of a profitable response.

Monsanto has announced that it will accept no new BST customers in 2004 and that established users will be allowed only half their normal purchases. With more than a fifth of the cow herd currently receiving the hormone, reduced availability will significantly affect 2004 milk per cow. Somewhat unattractive milk-feed price ratios and uneven forage quality probably will also work against recovery in milk per cow. On the other hand, a much smaller number of first-calf heifers should spur gains in milk per cow.

Milk per cow in 2004 is expected to rise only slightly more than 1 percent from 2003 on a daily average basis. Growth may pick up later in the year but significant recovery probably will have to wait until 2005.

Changes in milk cow numbers during 2002 and 2003, like most earlier periods, were driven by structural changes induced by milk prices and returns. What made these years different was the delay between changes in returns and the effects of structural adjustments. The generally high returns of 1996-2001 unleashed a wave of dairy farm expansions during 2001 and 2002. However, many of these new facilities were not completely filled until 2003 because of the shortage of dairy replacements. These expansions bolstered milk cow numbers into early 2003.

Similarly, the rate of farms exiting was relatively low in 2001 because of the strong returns. The exit rate stayed slow during most of 2002 in spite of sharply lower returns. Even the relatively weak

farms entered the year much better able to continue than normal, and their ability to persist was further enhanced by the Milk Income Loss Contract payments. However, the low returns were taking their toll by late 2002 and 2003, and the exit rate picked up considerably.

Milk cow numbers declined rapidly during the last three-quarters of 2003, going from 0.3 percent above a year earlier in January-March to 1.4 percent below in October-December. Once expansions began to slow, the accelerated exit rate became the dominant force shaping cow numbers. In addition, rising cull cow prices during the year and the much lower replacement price throughout 2003 sharply narrowed the gap between replacement and slaughter values, lowering the share of cows in exiting herds that went into other herds.

Returns in 2004 are expected to be somewhat stronger than in 2002 or 2003 but still relatively weak. Dairy farm exits probably will remain numerous. Expansion by stronger producers might pick up a bit after the 2003 hiatus but is projected to stay fairly modest.

Significantly fewer heifers will enter the milking herd this year, even though the overall herd of replacement heifers on January 1 was only 2 percent below a year earlier. An unusually large share of the year-earlier heifers were older animals, and the number expected to begin milking in 2004 was down 4 percent. And, no Canadian replacements will be available so long as the ban on importation of live animals continues. Although new regulations are in the comment process, it is uncertain when the current prohibition will end.

Cull cow markets remain unsettled. The loss of beef exports will require that additional quantities of fed beef be absorbed domestically, weakening cow beef prices as well as fed prices. In addition, some buyers reportedly are hesitating to deal with older dairy cows. However, beef supplies remain tight, demand has held, and cow prices are projected to stay fairly high.

Milk cow numbers are projected to decline at a fairly rapid rate throughout 2004. For the year, cows are expected to average almost 2 percent

fewer than in 2003, the largest decline since at least 1991.

Milk production in 2004, on a daily average basis, is projected to be about the same as in 2003.

Production in 2003 was likewise steady. Such stability would be highly unusual in an industry where typical shifts in output have become much larger than in the past.

Butter Stocks Trimmed

A sharp seasonal drawdown in commercial butter stocks largely eliminated the burdensome excess that had plagued the market through most of 2002 and 2003. Holdings fell almost 200 million pounds between July 1 and January 1, as lower butter production was accompanied by fairly brisk sales. Stocks rose seasonally during January but the increase was similar to those of recent years. On February 1, commercial inventories were still about a third less than a year earlier.

Commercial stocks of other dairy products have generally stayed moderate. Cheese inventories in recent months have been slightly below the moderate levels of a year earlier. Even though 2004's production and sales uncertainties probably boosted desired stocks somewhat, the February 1 levels probably would have been considered adequate—if pipeline stocks outside warehouses had been normal. However, warehouse cheese stocks clearly were not sufficient to contain a sustained buying surge. Manufacturers' stocks of nonfat dry milk were up a little on February 1 but not markedly. Excess industry powder stocks can easily be drained away by sales to the Government.

February 1 stocks were equivalent to about 9.7 billion pounds of milk on a milkfat basis, down 1.5 billion from a year earlier. On a skim solids basis, commercial holdings were 8.7 billion pounds, milk equivalent, very close to a year earlier. These stocks probably were roughly neutral factors for dairy prices. Traders will watch stocks very carefully in coming months for signs that markets are more or less tighter than expected.

Supplies of milk for manufacturing during December-January fell about 2 percent from a year earlier, primarily because of reduced milk production. Butter-powder production felt the brunt of the tight milk supplies, even though

cheesemakers' advantage in competing for milk diminished substantially during this period. Cheese buyers were fairly aggressive about replenishing pipeline holdings, and even a small advantage was enough to keep milk flowing into cheese. December-January production of all cheese rose about 2 percent, although Cheddar output, the benchmark variety for cheese prices, stayed below a year earlier.

Manufacturing milk supplies are expected to run slightly below a year earlier in coming months. Recent strength in butter prices imply that cheese will not as readily attract extra milk. Although some types of cheese may be able to pull more milk, the allocation of available supplies might be quite sensitive to even small changes in wholesale prices. At least through midyear, changes in product output are projected to be relatively uniform.

The 2003 surplus of skim solids stayed quite large but declined slightly from 2002. Commercial use grew somewhat more than did production. Net removals totaled 8.6 billion pounds milk equivalent, skim solids basis (about 5 percent of marketings), down from 9.8 billion pounds a year earlier. Growing commercial use in 2004 is projected to trim the skim solids surplus further.

The milkfat surplus was equivalent to only 1.2 billion pounds in 2003. Exports of butter under the Dairy Export Incentive Program (DEIP) and small cheese purchases boosted milkfat removals from the negligible levels of 2001 and 2002. The surplus of milkfat is expected to stay small in 2004 as milkfat markets probably will remain relatively tight.

International Prices Firm

International market prices of butter and nonfat dry milk have risen since mid-2003. Seasonal tightness in the Northern Hemisphere played a role (particularly for butter), as did Oceania's lackluster rebound from the previous season's drought. However, the primary factor in the price rises was simply the weakness in the U.S. dollar.

Import demand has been modestly good. The key importers of milk powders generally have had economic growth and increased consumption of

dairy products. Butter import demand has improved in both Russia and the Middle East. However, neither product is likely to experience the kind of buying spree that would send prices sharply higher. Nonfat dry milk prices are effectively capped by U.S. domestic prices, while butter demand seems unlikely to grow much.

Export supplies in 2004 are expected to be moderate. The European Union (EU) position is projected to remain similar to 2003. Conditions in New Zealand have been sharply mixed during the current season, as parts of the North Island have had extraordinary good weather while the South Island has been in drought. Overall, New Zealand output has been slightly above a year earlier. Australia's production has been lower as they had substantial problems recovering from the effects of last season's drought. U.S. supplies of nonfat dry milk will be large—but will be available internationally only as long as international prices stay near current levels. Only modest amounts of U.S. powder are expected to be needed by international buyers, but this could easily change.

Short-run price prospects probably will be affected much more by exchange rates than by dairy market developments. Supplies from Oceania reportedly are fairly fully committed for the rest of the season, the EU situation likely will be fairly stable, and demand seems to be on a fairly steady course.

At current U.S. butter prices, high tariff imports of milkfat are profitable. However, the size of imports beyond the tariff-rate quotas (TRQ) are quite uncertain. Oceania supplies reportedly are very limited for the rest of the season, although diversions from other customers or good late-season weather could make more milkfat available. Supplies elsewhere probably also will be tight. Lastly, previous experience indicated that the inherently high risk of over-TRQ imports trims the amount brought in unless a buyer is willing to commit firmly well in advance.

Dairy Prices Jump

Counterseasonal increases in wholesale butter and cheese prices have been large this winter. By mid-March, butter prices had jumped more than 80

cents per pound since late December, exceeding \$2 for the first time since the summer of 2001. Meanwhile, cheese prices rose more than 50 cents per pound and had surpassed their 2003 peaks.

The roots of these price rises lay in the strong finish to the 2003 holiday season. Recovery in demand and continued slight weakness in milk production left pipeline holdings tight and pulled down the heavy warehouse stocks of butter that had dogged dairy markets since the spring of 2002. Prices began to rise as buyers sought some protection from this market tightening. Since then, a series of bullish factors (mostly related to lower expected production) have created self-perpetuating price increases, as buyer actions to protect against future tightness dried up current markets.

The peculiar mix of a counterseasonal price rise, tightened current market fundamentals, and the key role of anticipated market conditions make the ultimate size of the price rise, its duration, and the steepness of the subsequent downward adjustment very difficult to gauge. Given expected conditions, elevated wholesale prices are projected to persist through midyear, with gradual declines during the second half of 2004.

Farm milk prices are expected to average more than \$14 per cwt in 2004, running well above a year earlier until at least autumn. Milk prices now seem likely to average substantially higher than the low levels of 2002 or 2003. However, prices may be quite volatile, and a sudden collapse will remain a possibility.

Retail dairy prices in 2003 averaged just barely lower than a year earlier, following a fractional increase in 2002. The farm-to-retail price spread fell as retail prices did not keep pace with rising farm milk prices. Since 2000, moderate declines in the spread have alternated with sizable increases. For 2004, retail dairy prices are projected to rise 4-6 percent from a year earlier. The boost in farm prices may be joined by a modest increase in the spread.

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Related Article

The recent discovery of bovine spongiform encephalopathy (BSE) <http://www.ers.usda.gov/features/BSE/index.htm> in a dairy cow in the State of Washington has caused importers to either ban or restrict beef imports from the United States.

Data

Retail Price Reporting for Meat

<http://www.ers.usda.gov/Data/Meatscanner/> A new ERS database contains monthly average retail prices for selected cuts of red meat and poultry, based on electronic supermarket scanner data. While not based on a random sample, the raw data underlying the database are from supermarkets across the United States that account for approximately 20 percent of U.S. supermarket sales. [Leland Southard](#), (202) 694-5187.

Web Sites

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>

Cattle, <http://www.ers.usda.gov/briefing/cattle/>

Hogs, <http://www.ers.usda.gov/briefing/hogs/>

Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>

Dairy, <http://www.ers.usda.gov/briefing/dairy/>

WASDE, <http://www.usda.gov/oce/waob/wasde/latest.pdf>

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Red meat and poultry forecasts

	2001	2002	2003				2004					
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb												
Beef	26,107	27,090	6,284	6,905	7,084	5,975	26,248	5,875	6,600	6,700	6,000	25,175
Pork	19,138	19,664	4,908	4,750	4,815	5,509	19,982	5,075	4,900	4,950	5,325	20,250
Lamb and mutton	223	219	49	50	48	52	199	49	48	47	50	194
Broilers	31,266	32,240	7,786	8,275	8,448	8,240	32,749	8,065	8,565	8,800	8,500	33,930
Turkeys	5,562	5,713	1,380	1,439	1,409	1,423	5,650	1,330	1,405	1,430	1,460	5,625
Total red meat & poultry	83,006	85,669	20,582	21,598	21,976	21,367	85,523	20,557	21,689	22,102	21,501	85,849
Table eggs, mil. doz	6,078	6,190	1,524	1,528	1,559	1,596	6,207	1,545	1,545	1,575	1,610	6,275
Per capita consumption, retail lb 1/												
Beef	66.2	67.6	16.2	16.9	16.8	14.9	64.8	15.8	17.7	17.7	15.7	66.9
Pork	50.2	51.5	12.6	12.5	12.6	14.1	51.8	12.8	12.5	12.8	13.5	51.6
Lamb and mutton	1.1	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1
Broilers	76.6	80.5	19.6	20.7	21.3	19.8	81.4	20.1	21.5	21.3	20.5	83.4
Turkeys	17.5	17.7	3.6	3.9	4.6	5.3	17.4	3.7	3.9	4.2	5.6	17.4
Total red meat & poultry	213.6	220.5	52.8	54.8	56.0	54.9	218.5	53.1	56.4	56.7	56.1	222.3
Eggs, number	252.7	255.5	62.5	62.9	63.6	65.2	254.2	62.7	62.8	63.8	65.0	254.4
Market prices												
Choice steers, Neb., \$/cwt	72.71	67.04	77.82	78.49	83.07	99.38	84.69	80-81	74-78	70-76	74-80	74-79
Feeder steers, Ok City, \$/cwt	88.20	80.04	78.48	82.49	94.90	103.51	89.85	86-87	81-85	81-87	82-88	82-87
Boning utility cows, S. Falls, \$/cwt	44.39	39.23	40.53	46.52	49.84	49.60	46.62	46-47	47-49	45-49	45-49	46-48
Choice slaughter lambs, San Angelo, \$/cwt	72.04	72.31	91.92	93.71	89.48	92.82	91.98	101-102	96-100	93-99	93-99	95-100
Barrows & gilts, N. base, l.e. \$/cwt	45.81	34.92	35.38	42.64	42.90	36.89	39.45	42-43	40-42	38-42	34-38	39-41
Broilers, 12 City, cents/lb	59.10	55.60	60.30	59.60	63.40	64.60	62.00	72-73	70-74	67-73	65-71	69-73
Turkeys, Eastern, cents/lb	66.30	64.50	61.10	60.60	59.10	67.40	62.10	61-62	60-64	61-67	63-69	62-65
Eggs, New York, cents/doz.	67.20	67.10	77.20	73.90	89.90	110.70	87.90	110-112	93-97	91-99	96-104	97-103
U.S. trade, million lb												
Beef & veal exports	2,269	2,447	585	678	681	579	2,523	10	120	150	150	430
Beef & veal imports	3,164	3,218	810	741	619	836	3,006	835	900	855	740	3,330
Lamb and mutton imports	146	162	40	44	35	48	167	48	41	39	42	170
Pork exports	1,560	1,611	413	438	406	460	1,717	460	475	420	470	1,825
Pork imports	951	1,070	289	301	298	297	1,185	285	290	295	300	1,170
Broiler exports	5,555	4,807	1,200	1,166	1,182	1,385	4,932	1,115	1,150	1,340	1,350	4,955
Turkey exports	487	439	103	114	130	136	483	110	85	125	135	455

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

Economic indicator forecasts 1/

	2002		2003					2004				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 2000 dol.)	10,161	10,083	10,210	10,288	10,493	10,599	10,398	10,713	10,826	10,931	11,041	10,876
CPI-U, annual rate (pct.)	2.4	2.2	3.9	0.6	2.3	0.9	1.9	1.7	1.5	1.5	1.7	1.6
Unemployment (pct.)	5.9	5.8	5.8	6.2	6.1	5.9	6.0	5.7	5.6	5.6	5.5	5.6
Interest (pct.)												
3-month Treasury bill	1.3	1.6	1.2	1.0	1.0	0.9	1.0	0.9	1.0	1.2	1.5	1.2
10-year Treasury bond yield	4.0	4.6	3.9	3.6	4.2	4.3	4.0	4.2	4.4	4.7	4.9	4.5

1/ Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2004.

Dairy forecasts

	2002		2003					2004				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,142	9,139	9,144	9,109	9,073	9,011	9,084	8,965	8,930	8,900	8,870	8,915
Milk per cow (pounds)	4,555	18,608	4,710	4,827	4,601	4,609	18,747	4,805	4,910	4,675	4,695	19,085
Milk production (bil. pounds)	41.6	170.1	43.1	44.0	41.7	41.5	170.3	43.1	43.8	41.6	41.6	170.2
Commercial use (bil. pounds)												
milkfat basis	43.9	170.8	41.4	43.0	44.9	45.3	174.7	42.2	43.8	45.2	45.2	176.3
skim solids basis	41.3	163.9	40.1	41.3	42.3	41.9	165.6	41.0	42.1	43.1	42.7	168.8
Net removals (bil. pounds)												
milkfat basis	0.1	0.3	0.4	0.6	0.2	0.0	1.2	-0.1	0.0	0.1	0.0	0.1
skim solids basis	1.4	9.8	3.1	3.2	1.5	0.9	8.6	2.1	2.0	1.2	0.5	5.9
Prices (dol./cwt)												
All milk 1/	11.97	12.11	11.37	11.07	13.20	14.40	12.51	13.55	14.50	13.90	14.00	14.00
								-13.75	-15.00	-14.70	-15.00	-14.60
Class III	10.10	10.42	9.52	9.62	13.29	13.24	11.42	12.15	13.40	13.00	12.45	12.75
								-12.35	-13.90	-13.80	-13.45	-13.35
Class IV	10.52	10.81	9.89	9.74	10.05	10.33	10.00	12.00	13.20	11.75	11.30	12.05
								-12.30	-13.80	-12.65	-12.40	-12.75

1/ Simple averages of monthly prices. May not match reported annual averages.

PRODUCTION INDICATORS

	Feb. '2003	Dec.	2004	
			Jan.	Feb. /*
	1,000 Head			
Cattle:				
On feed - US, 1,000+ Hd.	10,700	11,335	11,253	11,128
Net placements	1,579	1,658	1,657	1,541
Marketings	1,733	1,740	1,782	1,692
Broilers:				
Eggs in incubators (000) /1	629,525	636,411	637,048	636,126
Chicks hatched (000) /2	694,590	778,159	773,970	708,480
Hatching egg layers /1	56,314	55,016	55,037	55,876
Pullets placed (000)	6,659	6,978	6,811	7,058
Hvy-type hen slaughter /2	5,410	5,497	5,487	5,170
Turkeys:				
Eggs in incubators (000) /1	30,695	28,605	28,394	28,139
Poult placed (000)	23,833	23,424	23,273	23,120
Eggs:				
Table egg prod. (mil. doz.) /2	472.8	538.8	527.0	478.0
Table egg layers, (000) /1	281,960	282,443	280,096	279,805
Table eggs/100 layers /1	72.0	75.2	73.4	72.2
Chicks hatched (000) /2	29,988	33,856	35,350	31,490
Lt.-type hen slaughter /2	6,816	5,932	5,838	5,450

ESTIMATED RETURNS

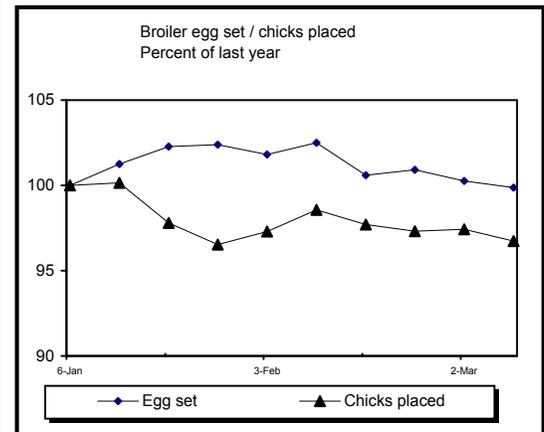
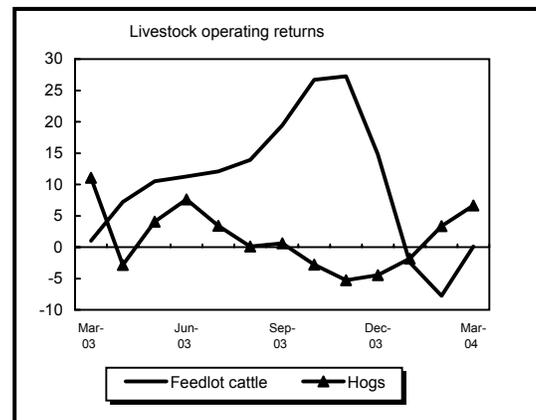
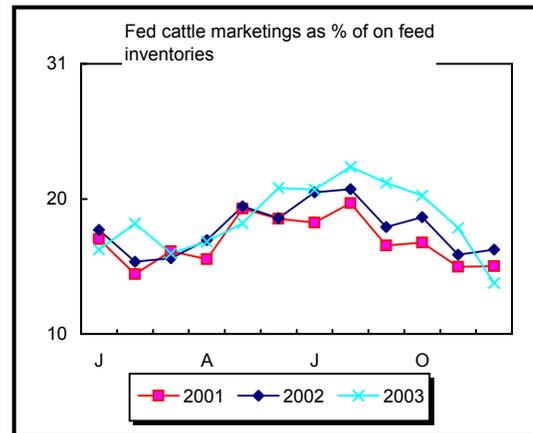
	Mar. '2003	Jan.	2004	
			Feb.	Mar. /*
	Cents/lb			
Great Plains cattle feedlot				
Breakeven price /3	71.07	82.71	85.37	86.16
Selling price	77.34	80.25	77.60	86.25
Net margin	6.27	-2.46	-7.77	0.09
N. Central hog farrow to finish				
Breakeven price /3	39.53	40.87	41.84	41.85
Selling price	36.11	39.02	45.21	48.50
Net margin	-3.42	-1.85	3.37	6.65
Broiler				
Feed Cost 1998-2000=100	Index 105.1	Index 117.2	Index 117.6	Index 123.7
Market Price 1998-2000=100	106.2	129.8	139.5	142.9
Price - Cost 1998-2000=100	106.6	134.3	147.3	149.7
Turkey				
Feed Cost 1998-2000=100	104.5	116.1	121.5	121.8
Market Price 1998-2000=100	90.5	90.8	90.9	92.4
Price - Cost 1998-2000=100	84.1	79.4	77.0	79.0
Egg				
Feed Cost 1998-2000=100	110.0	120.3	127.3	132.2
Market Price 1998-2000=100	96.9	142.5	139.7	143.9
Price - Cost 1998-2000=100	90.0	154.1	146.1	149.9

/1 First of month.

/2 Last month estimated.

/3 Does not include capital replacement cost.

/* estimate.



MEAT STATISTICS

	Jan. - Mar. 2003	Jan. - Mar. 2004	2003 Nov.	2003 Dec.	2004 Jan.	Feb.	Mar.	/*
Commercial production								
	<i>Million pounds</i>							
Beef	6,284	5,878	1,784	1,978	1,924	1,803	2,151	
Veal	50	48	15	19	16	15	17	
Pork	4,908	5,139	1,721	1,873	1,758	1,571	1,810	
Lamb	49	51	16	18	15	15	21	
Total red meat	11,291	11,116	3,537	3,888	3,713	3,403	3,999	
Broilers	7,786	8,309	2,424	2,764	2,838	2,516	2,955	
Other chicken	126	116	34	39	39	36	41	
Turkeys	1,380	1,328	456	439	440	406	483	
Total poultry	9,292	9,752	2,913	3,242	3,317	2,957	3,478	
Total meat & poultry	20,583	20,868	6,450	7,130	7,030	6,360	7,477	

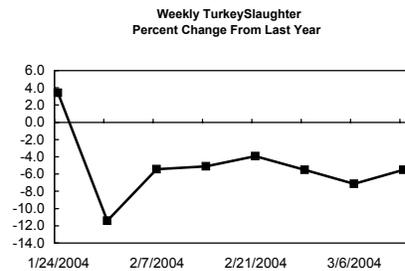
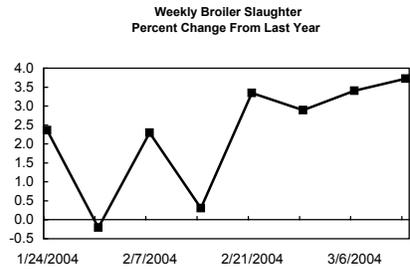
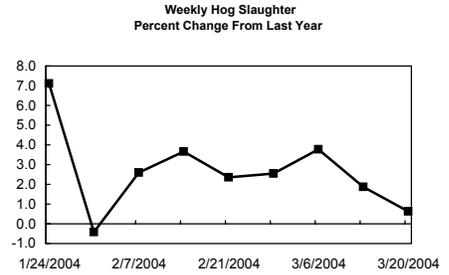
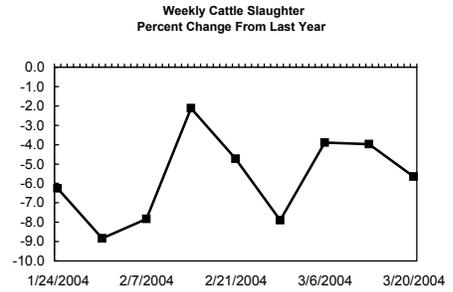
	Jan. - Mar. 2003	Jan. - Mar. 2004	2003 Nov.	2003 Dec.	2004 Jan.	Feb.	Mar.	/*
Commercial slaughter**								
	<i>Thousand head</i>							
Cattle	8,351	7,912	2,434	2,675	2,577	2,427	2,908	
Steers	3,957	3,783	1,122	1,278	1,246	1,144	1,393	
Heifers	2,726	2,679	750	815	826	844	1,009	
Beef Cows	763	652	273	284	241	193	218	
Dairy Cows	759	674	236	249	223	210	241	
Bulls and stags	146	124	53	49	41	36	47	
Calves	262	236	78	97	79	72	85	
Sheep	728	736	236	262	219	213	304	
Hogs	24,654	25,725	8,597	9,361	8,789	7,886	9,050	
Barrows & gilts	23,818	24,822	8,331	9,057	8,506	7,606	8,710	
Sows	776	837	248	284	263	259	315	
Broilers	2,042,277	2,131,179	626,674	715,407	726,279	646,600	758,300	
Turkeys	63,514	60,853	22,661	20,751	20,153	18,300	22,400	

	Mar. 2003	2003 Nov.	2003 Dec.	2004 Jan.	Feb.	Mar.	/*
F.I. dressed weight							
	<i>Pounds</i>						
Cattle	745	739	747	753	750	749	
Calves	195	196	200	202	207	204	
Sheep	70	70	70	72	71	72	
Hogs	200	201	201	201	200	201	

	Mar. 2003	2003 Nov.	2003 Dec.	2004 Jan.	Feb.	Mar.
Beginning cold storage stocks						
	<i>Million pounds</i>					
Beef	441.9	375.2	373.8	395.1	434.4	436.4
Pork	519.7	446.8	438.9	470.7	510.5	483.6
Bellies	38.3	21.1	33.1	49.0	63.1	57.0
Hams	89.2	110.9	73.6	49.9	71.8	70.3
Total chicken	672.8	600.7	569.3	611.5	534.9	543.6
Turkey	492.7	582.7	350.7	354.0	420.5	476.9
Frozen eggs	17.1	16.9	14.9	18.0	21.3	21.1

/* Estimates with exception of Cold Storage

** Slaughter classes are estimated



LIVESTOCK PRICES

	2003			2004			/*
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
Cattle prices							
\$/cwt							
Steers, Choice, 11-13 cwt							
Texas Panhandle	77.34	100.31	91.11	80.25	78.57	86.25	
Nebraska Direct	77.52	101.88	90.75	80.36	79.15	86.15	
Cows - Sioux Falls							
Utility breaking	43.00	55.58	52.88	49.63	47.38	52.75	
Utility boning	42.13	51.83	48.13	48.50	45.50	50.00	
Feeder Cattle - Oklahoma City							
Steers: Med. #1							
500-550 lb	97.94	112.29	111.98	107.44	111.19	115.25	
600-650 lb	88.49	103.62	103.88	94.58	97.36	104.00	
750-800 lb	76.32	104.43	101.63	87.36	86.61	90.00	
Heifers: Med. #1							
450-500 lb	93.12	104.39	99.92	99.02	101.86	109.00	
700-750 lb	74.06	96.83	94.07	83.98	82.45	86.25	

Hog prices

Barrows and gilts							
National base 51-52% lean	36.11	36.02	36.02	39.02	45.21	48.50	
(live equivalent = carcass x .74)							
Sows							
Iowa-S. Minn. #1-2, 300-400 lb	24.07	28.51	26.83	28.36	36.45	39.50	

Sheep & lamb prices

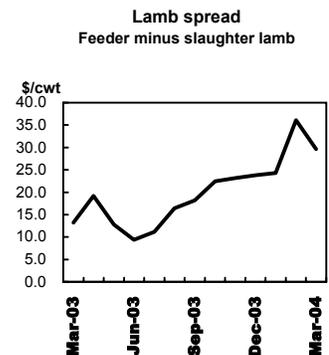
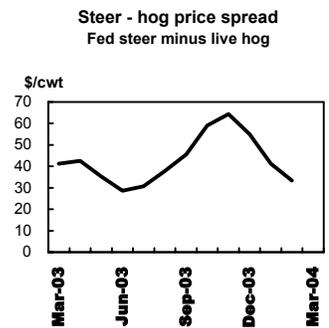
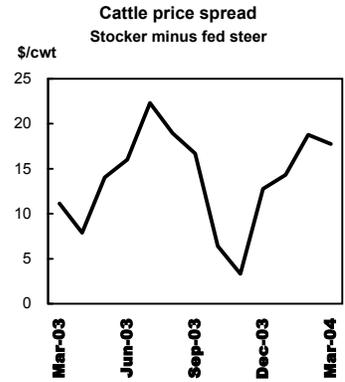
San Angelo, TX							
Slaughter lambs, Choice	96.25	91.00	96.17	99.44	99.94	100.50	
Ewes, Good	48.69	47.00	49.25	49.38	49.87	41.50	
Feeder lambs, Choice	109.50	114.13	120.00	123.75	136.00	130.15	

GRAIN AND FEED PRICES

	2003			2004			/*
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
\$/bu							
Corn, #2 Yellow, Cen. Ill	2.31	2.26	2.38	2.52	2.73	2.90	
Wheat, HRW Ord., K.C.	3.75	408.00	4.21	4.25	4.15	4.20	
\$/ton							
SBM, 48% Solvent, Decatur	175.40	242.00	231.11	252.15	257.39	300.00	
Alfalfa Hay, U.S. Avg.	96.20	88.00	87.90	83.60	84.70	N/A	
Grass Hay, U.S. Avg.	82.30	64.90	66.90	71.40	69.90	N/A	

/* Estimates

Livestock, Dairy, and Poultry Situation and Outlook



WHOLESALE PRICES

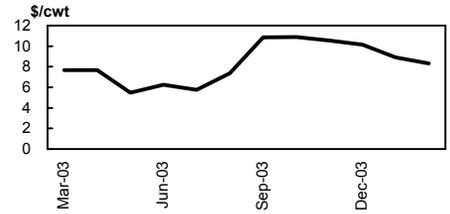
	2003			2004			/*
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
Beef, Central U.S.							
Boxed beef cutout	\$/cwt						
Choice 1-3 550-700 lb	126.35	167.15	153.71	138.60	129.29	142.25	
Choice 1-3 700-850 lb	126.02	165.60	151.83	137.40	127.51	142.35	
Select 1-3 700-850 lb	119.78	146.93	140.01	130.15	120.95	133.15	
Canner-Cutter Cows	N/A	N/A	N/A	N/A	N/A	N/A	
Bnls. beef, 90% fresh	110.82	123.86	125.69	131.66	126.86	123.75	
Importd bnls. beef 90% frz.	97.82	124.90	125.63	124.78	120.15	119.25	
Hide & offal value	8.10	10.02	10.31	9.05	8.22	8.26	
Veal carcass, 220-280 lb	N/A	N/A	N/A	N/A	N/A	N/A	
Pork, Central U.S.							
Pork cutout composite	55.08	55.99	55.71	58.57	66.01	69.00	
Loins, 14-19 lb Bl 1/4" trim	92.43	89.06	93.72	111.98	117.30	109.00	
Bellies, 12-14 lb skin on trmd.	85.80	78.53	81.00	79.78	90.76	102.50	
Hams, 20-23 lb Bl trmd. TS1	44.15	47.22	41.29	39.60	50.03	56.50	
Trimnings, 72% fresh	32.03	41.99	41.25	43.58	49.18	58.50	
Lamb, East Coast							
55 lb Down, Choice	N/A	N/A	N/A	N/A	N/A	N/A	
55-65 lb, Choice	192.04	180.82	182.10	181.93	191.38	201.00	
cents/lb							
Broilers							
12 City Avg.	60.02	64.45	65.71	68.66	74.96	75.60	
Georgia dock	62.61	67.11	67.69	68.92	71.15	71.75	
<i>Northeast</i>							
Breast, boneless	148.20	146.01	146.17	155.23	182.66	192.00	
Breast, Ribs on	86.11	80.68	81.64	90.46	102.23	106.20	
Legs, whole	33.04	37.35	37.51	40.18	51.54	47.00	
Leg quarters	20.96	29.59	29.67	30.87	38.41	34.75	
Turkeys							
<i>Eastern region</i>							
Toms, 16-24 lb	58.45	64.92	60.45	58.83	58.89	60.50	
Hens, 8-16 lb	61.24	69.33	66.85	62.13	61.61	62.25	
Breast, 4-8 lb	92.02	91.00	91.31	90.42	90.60	91.25	
Drumsticks	22.84	43.20	42.53	42.62	53.10	53.90	
Wings, full cut	16.62	43.05	41.34	36.77	41.90	46.75	
Eggs, grd A, lg, doz							
12 City Metro	70.81	110.87	106.22	104.16	102.11	105.20	
New York	80.00	122.94	109.33	114.30	106.00	127.00	

/* Estimates.

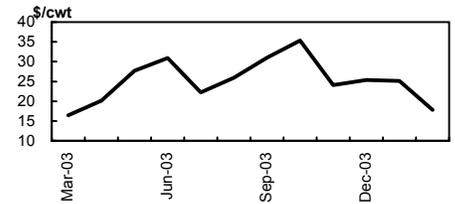
Source: Agricultural Marketing Service.

Livestock, Dairy and Poultry Situation and Outlook

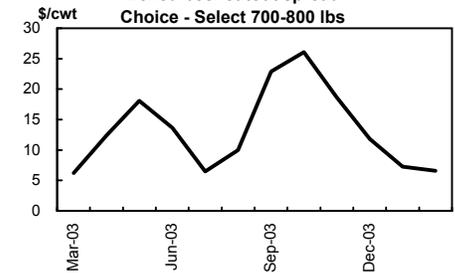
Hog to cutout price spread
Pork + Offal - Live hog



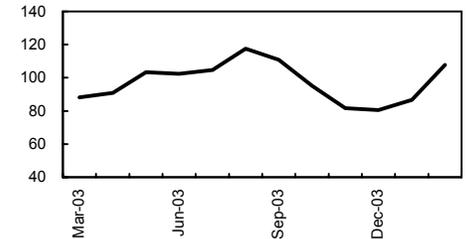
Steer to cutout price spread
Beef + Offal - Fed Steer



Boxed beef cutout spread
Choice - Select 700-800 lbs

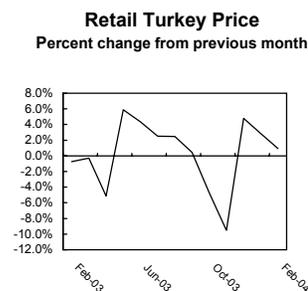
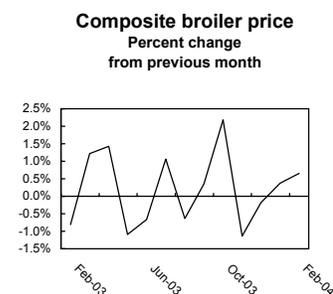
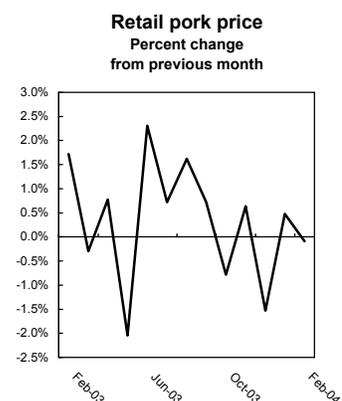
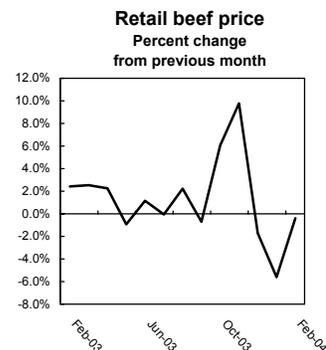


Broiler price spread
Cents/lb Boneless breast - Whole bird



RETAIL PRICES & SPREADS

	Sep-2003	Oct-2003	Nov-2003	Dec-2003	Jan-2004	Feb-2004
Retail prices						
	<i>Cents/lb</i>					
Beef - Choice	370.9	393.3	431.7	424.3	400.5	398.9
Beef - All fresh	334.1	340.0	362.5	370.2	361.5	361.8
Ground beef	202.2	201.0	225.6	223.2	226.0	225.0
Round roast	322.9	351.3	385.8	385.5	363.7	375.2
T-bone steak	NA	NA	NA	NA	NA	NA
Pork	272.6	270.5	272.2	268.0	269.3	269.0
Bacon	321.9	316.1	322.8	318.2	315.7	318.9
Chops	308.8	308.0	301.1	290.7	300.8	303.7
Sausage	NA	NA	NA	NA	NA	NA
Broilers - Composite	160.6	164.1	162.2	162.0	162.6	163.6
Whole, fresh	102.2	102.2	106.8	105.0	106.2	106.0
Breast - bone in	NA	NA	NA	NA	NA	NA
Leg - bone in	125.4	132.5	127.5	127.4	128.3	130.5
Turkey; whole frozen	116.7	111.2	100.6	105.4	108.4	109.4
Eggs, Gr A, Lg, Doz	125.7	133.0	144.8	155.9	157.3	158.3
Price indexes						
	<i>1982-84=100</i>					
CPI - All	185.2	185.0	184.5	184.3	185.2	186.2
All food	180.7	181.7	182.4	183.6	183.8	184.1
All meat	171.0	174.6	181.3	182.7	180.6	180.2
Beef & veal	175.5	182.1	195.6	198.8	194.2	193.5
Pork	169.8	170.1	168.6	167.5	168.4	167.7
Poultry	169.7	172.5	172.5	174.4	174.5	174.1
Price Spreads						
	<i>Cents / retail lb</i>					
Beef						
Farm to wholesale	51.4	55.5	40.2	40.9	40.8	29.1
Wholesale to retail	128.3	121.8	174.3	187.3	187.7	200.4
Farmers share (%)	52	55	50	46	43	42
Pork						
Farm to wholesale	43.4	40.8	39.6	39.0	39.6	34.5
Wholesale to retail	155.6	162.4	169.9	166.2	161.3	155.1
Farmers share (%)	27	25	23	23	25	30
Poultry and eggs						
Wholesale to retail						
Broilers	88.6	95.2	92.8	91.7	88.5	84.0
Retail to consumer						
Turkey	47.2	37.8	25.1	33.2	39.4	40.4
Eggs Cents/doz	41.8	43.2	34.9	50.7	54.1	57.2



Sources: Economic Research Service, USDA and Bureau of Labor Statistics, U.S. Department of Labor.

Cumulative U.S. livestock & meat trade

	2002	2003	Jan. - Jan-2003	Jan. - Jan-2004		2002	2003	Jan. - Jan-2003	Jan. - Jan-2004
Beef & veal imports					Pork imports				
	<i>Carcass wt., 1,000 lb</i>					<i>Carcass wt., 1,000 lb</i>			
Australia	1,136,758	1,128,624	151,202	134,456	Canada	879,949	971,334	76,896	73,349
New Zealand	603,931	644,676	42,350	71,938	Denmark	123,013	147,110	9,226	12,230
Canada	1,090,894	740,016	91,888	74,560	Poland	24,420	22,630	2,012	1,693
Brazil	200,785	206,097	14,443	20,101	Netherlands	6,730	5,887	415	259
Argentina	85,349	87,890	8,737	8,313	Hungary	4,806	5,457	533	478
Central America	68,325	79,234	5,835	6,844	Other	31,809	32,775	2,685	2,844
Uruguay	14,095	103,361	2,249	23,961	Total	1,070,727	1,185,193	91,766	90,853
Mexico	16,707	15,824	1,318	1,567					
Other	756	226	3	233					
Total	3,217,599	3,005,949	318,024	341,973					
Beef & veal exports					Pork exports				
Japan	771,074	919,520	71,018	423	Japan	775,945	794,347	67,422	65,941
Canada	240,550	226,325	21,495	741	Canada	188,351	191,464	12,882	17,890
Mexico	629,252	588,613	45,621	1,304	Mexico	313,695	348,800	24,395	43,350
South Korea	597,301	587,660	42,420	100	Russia	41,397	16,493	2,043	882
Caribbean	23,015	21,785	1,662	1,675	South Korea	70,836	79,880	8,793	3,155
Russia	17,388	10,778	1,101	-	Hong Kong	28,393	44,620	1,910	1,765
Other	169,125	168,332	12,919	2,217	Caribbean	20,350	16,102	1,425	1,665
Total	2,447,704	2,523,013	196,235	6,459	Other	173,262	225,146	15,409	19,366
					Total	1,612,228	1,716,852	134,279	154,014
Cattle imports					Hog imports				
	<i>Head</i>					<i>Head</i>			
Mexico	816,460	1,239,220	97,772	69,004	Canada	5,740,073	7,438,063	545,267	805,534
Canada	1,686,508	512,353	118,113	2,981	Under 110 lb	3,757,882	4,971,044	377,133	515,961
Over 700 lb	1,259,536	439,016	99,543	-	Total	5,740,675	7,438,254	545,267	805,534
440-700 lb	221,782	12,520	4,597	903					
Total	2,502,973	1,751,585	215,885	71,985	Hog exports				
					Total	205,121	169,881	15,663	33,429
Cattle exports					Broiler exports				
Mexico	106,019	24,183	5,728	172		<i>Ready to cook, 1,000 lb</i>			
Canada	134,220	68,100	8,534	2,507	Japan	120,682	101,739	8,219	5,003
Total	244,394	100,270	14,325	2,709	Mexico	324,148	363,225	24,329	27,781
					Hong Kong	607,448	308,309	44,266	24,309
Lamb imports									
	<i>Carcass wt., 1,000 lb</i>				Singapore	37,475	27,914	2,975	1,500
Australia	68,073	75,309	5,697	7,789	Canada	191,517	200,418	15,004	17,539
New Zealand	48,565	59,094	3,748	6,075	Russia	1,520,532	1,458,098	112,468	53,891
Total	117,047	134,754	9,445	13,971	Latvia	97,281	96,509	3,880	2,552
					Other	1,908,100	2,375,765	207,200	229,398
Mutton imports					Total	4,807,184	4,931,979	418,340	361,973
Total	42,886	32,889	3,532	8,336					
Lamb and mutton exports					Turkey exports				
Total	7,101	6,595	674	604	Mexico	186,284	241,411	13,361	19,843
					Canada	14,445	14,742	895	1,429
Customs Service (beef/veal)					South Korea	12,990	9,706	844	757
	<i>Product wt., metric tons</i>				Russia	29,026	25,168	161	28
YTD imports under WTO:	3/24/2003	3/22/2004	% of quota		Hong Kong	70,199	45,673	3,505	1,261
Canada	84,376	69,697	NA		Other	125,635	146,119	10,773	8,486
Mexico	664	953	NA		Total	438,579	482,820	29,538	31,804
TRQ countries	113,835	124,270	18						
Australia	68,966	59,732	16		Shell egg exports				
New Zealand	37,552	53,637	25			<i>1,000 doz.</i>			
Argentina	-	-	-		Canada	30,496	26,374	1,205	883
Uruguay	-	4,303	22		Japan	2,256	105	104	-
Japan	-	-	-		Other	55,900	60,844	5,168	3,399
Other	7,318	6,598	10		Total	88,652	87,324	6,477	4,282
Total	198,875	194,920	NA						

Sources: Economic Research Service, USDA and Census Bureau, U.S. Department of Commerce.

Monthly U.S. livestock and meat trade **

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04
Beef & veal imports	Carcass wt., 1,000 lb												
Australia	151,202	40,579	76,061	87,574	89,162	92,207	97,250	92,233	102,846	110,506	88,317	100,688	134,456
New Zealand	42,350	60,516	72,565	81,533	67,836	69,846	72,666	52,970	31,645	20,315	26,012	46,422	71,938
Canada	91,888	85,015	94,892	90,542	60,260	88	178	88	37,627	90,416	97,536	91,487	74,560
Brazil	14,443	13,019	15,816	16,022	21,344	20,961	18,896	16,937	15,519	17,168	15,419	20,551	20,101
Argentina	8,737	4,601	5,178	3,730	4,576	9,418	5,758	7,918	8,752	10,808	7,827	10,587	8,313
Central America	5,835	10,422	8,591	5,950	5,747	3,976	6,472	4,001	4,616	7,396	7,111	9,117	6,844
Uruguay	2,249	924	1,500	1,347	2,508	2,593	7,479	17,913	13,403	20,569	15,573	17,303	23,961
Mexico	1,318	957	1,233	1,191	1,165	1,660	928	1,362	1,374	1,579	1,491	1,567	1,567
Other	3	67	86	13	3	4	33	2	4	3	6	4	233
Total	318,024	216,100	275,921	287,901	252,601	200,755	209,660	193,424	215,787	278,759	259,290	297,726	341,973
Beef & veal exports													
Japan	71,018	73,320	75,540	74,992	79,108	86,301	81,752	76,811	80,098	90,389	76,413	53,779	423
Canada	21,495	20,112	22,508	20,956	25,441	29,298	17,823	10,969	15,534	14,826	15,163	12,198	741
Mexico	45,621	36,125	37,337	43,835	63,316	67,643	64,914	59,871	54,947	49,438	30,820	34,745	1,304
Korea, Rep.	42,420	46,072	44,316	42,320	42,020	62,965	65,003	65,542	35,139	49,374	47,065	45,424	100
Caribbean	1,662	1,590	1,792	2,036	1,529	1,758	1,916	1,786	1,492	2,041	1,878	2,306	1,675
Russia	1,101	469	1,198	1,253	1,216	1,262	930	511	1,811	612	375	41	-
Other	12,919	13,929	14,123	11,078	10,134	9,973	10,813	13,993	18,903	19,841	18,004	14,622	2,217
Total	196,235	191,618	196,813	196,470	222,763	259,200	243,151	229,483	207,924	226,521	189,719	163,115	6,459
Cattle imports	Head												
Mexico	97,772	92,277	98,285	90,636	97,125	54,707	42,885	40,912	58,983	161,342	204,066	200,230	69,004
Canada	118,113	105,678	118,178	114,129	49,350	2,874	-	-	-	-	-	4,031	2,981
Over 700 lb	99,543	92,345	105,351	101,240	40,537	-	-	-	-	-	-	-	-
440-700 lb	4,597	2,319	966	2,263	880	475	-	-	-	-	-	1,020	903
Total	215,885	197,955	216,463	204,765	146,487	57,581	42,885	40,912	58,983	161,342	204,066	204,261	71,985
Cattle exports													
Mexico	5,728	2,124	1,913	2,042	1,588	2,015	1,128	978	515	1,336	3,154	1,662	172
Canada	8,534	8,417	10,712	8,816	9,009	7,420	2,060	1,349	2,531	1,590	3,829	3,833	2,507
Total	14,325	10,888	13,033	11,926	10,811	11,408	3,950	3,073	3,930	3,801	7,246	5,879	2,709
Lamb imports	Carcass wt., 1,000 lb												
Australia	5,697	3,906	7,203	9,014	7,095	6,491	4,758	4,421	4,600	6,102	7,871	8,150	7,789
New Zealand	3,748	3,821	6,690	6,738	4,358	3,556	3,914	8,088	4,579	4,776	4,620	4,206	6,075
Total	9,445	7,727	14,003	15,796	11,454	10,046	8,688	12,509	9,254	10,942	12,499	12,390	13,971
Mutton imports													
Total	3,532	1,897	3,088	3,512	1,884	1,464	1,704	1,667	1,583	2,896	3,552	6,111	8,336
Lamb and mutton exports													
Total	674	613	695	609	342	610	549	376	462	337	687	641	604

The 13 month revisions for the year 2002 will be posted July 22

Monthly U.S. livestock and meat trade, continued

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04
Pork imports	Carcass wt., 1,000 lb												
Canada	76,896	76,637	81,018	78,629	75,260	85,124	84,569	79,696	86,333	88,339	81,292	77,541	73,349
Denmark	9,226	13,758	15,749	14,626	14,529	15,354	10,386	10,127	9,354	10,803	11,860	11,339	12,230
Poland	2,012	2,074	1,460	1,594	1,259	1,792	1,787	2,407	2,593	2,082	2,042	1,528	1,693
Netherlands	415	715	403	572	487	685	350	299	488	344	720	408	259
Hungary	533	464	467	470	464	422	600	596	608	290	265	278	478
Other	2,685	2,098	2,626	3,353	3,306	3,436	3,087	2,471	2,181	2,295	2,408	2,829	2,844
Total	91,766	95,746	101,722	99,244	95,305	106,813	100,779	95,596	101,558	104,152	98,587	93,924	90,853
Pork exports													
Japan	67,422	67,615	74,975	75,798	82,216	81,540	74,851	52,800	47,397	58,506	55,209	56,016	65,941
Canada	12,882	13,545	16,042	13,393	14,988	12,153	14,270	14,172	19,327	19,312	22,878	18,501	17,890
Mexico	24,395	20,907	21,961	19,779	27,066	28,559	25,991	29,332	32,347	35,437	38,043	44,984	43,350
Russia	2,043	2,367	1,495	1,213	1,262	920	591	612	1,425	1,463	2,074	1,028	882
Korea, Rep.	8,793	7,693	9,870	7,217	7,303	6,468	5,001	5,746	5,078	5,093	5,825	5,795	3,155
Hong Kong	1,910	3,140	3,054	2,912	3,342	3,872	5,131	2,541	2,362	3,650	6,622	6,083	1,765
Caribbean	1,425	1,012	1,003	915	1,503	925	962	1,369	1,264	1,657	1,999	2,067	1,665
Other	15,409	17,038	17,151	14,368	14,639	15,670	16,656	24,192	22,751	21,406	24,585	21,283	19,366
Total	134,279	133,318	145,550	135,595	152,318	150,107	143,453	130,764	131,951	146,524	157,236	155,757	154,014
Hog imports	Head												
Canada	545,267	449,352	507,874	529,021	568,915	580,322	709,497	663,960	723,971	728,590	667,950	763,344	805,534
Under 110 lb	377,133	328,845	370,013	397,116	426,665	401,779	468,791	420,489	449,136	444,102	405,456	481,519	515,961
Total	545,267	449,352	507,874	529,021	568,915	580,328	709,497	664,145	723,971	728,590	667,950	763,344	805,534
Hog exports													
Total	15,663	11,313	6,682	3,295	2,279	3,311	12,727	15,492	18,721	10,285	38,423	31,690	33,429
Broiler exports	***Has been revised to exclude paws												
	Ready to cook, 1,000 lb												
Japan	8,219	6,174	5,861	7,851	8,811	16,357	11,415	13,609	8,573	7,655	4,137	3,077	5,003
Mexico	24,329	21,939	27,736	25,281	30,311	32,248	30,552	22,744	33,157	37,113	31,847	45,968	27,781
Hong Kong	44,266	44,714	33,061	18,101	15,011	15,836	18,602	25,013	19,822	23,073	29,464	21,346	24,309
Singapore	2,975	2,569	3,384	1,278	1,576	1,782	1,524	2,655	2,942	3,368	1,920	1,942	1,500
Canada	15,004	13,240	14,518	14,879	18,942	17,306	19,165	18,527	19,597	18,258	17,043	13,939	17,539
Russia	112,468	152,948	144,644	79,625	74,298	110,628	143,180	99,132	111,648	206,734	144,783	78,009	53,891
Latvia	3,880	4,139	1,759	9,072	11,924	7,355	8,792	23,076	4,274	12,537	8,601	1,102	2,552
Other	207,200	149,195	155,565	153,544	225,444	268,387	181,772	187,983	173,858	244,118	228,374	200,324	229,398
Total	418,340	394,919	386,528	309,631	386,317	469,900	415,001	392,739	373,871	552,856	466,169	365,708	361,973
Turkey exports													
Mexico	13,361	15,419	15,727	15,225	20,589	20,352	18,883	18,151	27,897	28,570	22,813	24,425	19,843
Canada	895	1,211	1,520	1,344	1,697	883	1,414	1,440	1,661	1,046	970	661	1,429
S. Korea	844	1,038	1,234	681	1,281	1,025	1,246	624	116	520	921	175	757
Russia	161	1,617	2,555	892	1,832	1,384	2,085	2,170	4,591	3,960	3,690	231	28
Hong Kong	3,505	5,425	4,346	1,979	1,918	3,315	2,495	6,020	4,520	4,502	3,721	3,926	1,261
Other	10,773	10,900	12,245	12,800	12,857	13,617	9,570	16,137	10,972	11,736	13,225	11,288	8,486
Total	29,538	35,609	37,628	32,921	40,174	40,576	35,693	44,543	49,757	50,335	45,340	40,705	31,804
Shell egg exports	1,000 doz.												
Canada	1,205	1,243	1,548	1,717	1,982	2,498	2,257	2,943	2,956	2,944	2,430	2,651	883
Japan	104	-	-	-	-	1	-	-	-	-	-	-	-
Other	5,168	5,480	10,101	3,927	5,122	5,107	5,616	4,885	4,955	3,955	3,225	3,304	3,399
Total	6,477	6,723	11,648	5,644	7,104	7,607	7,873	7,828	7,911	6,898	5,655	5,954	4,282

Sources: Economic Research Service, USDA and Census Bureau, U.S. Department of Commerce.

For further information: Dale Leuck (202) 694-5186 or Mildred Haley (202) 694-5176.

U.S. dairy situation at a glance 1/

	Unit	2001	2002	2003	Dec-02	Jan-03	Feb-03	Mar-03
Milk production:								
Production (20 States)	Mil. lb.	142,979	146,981	147,856	12,333	12,616	11,628	13,014
Milk cows (20 States)	Thou.	7,745	7,785	7,775	7,803	7,810	7,811	7,810
Milk per cow (20 States)	Lb.	18,459	18,881	19,017	1,581	1,615	1,489	1,666
Production (U.S. est.)	Mil. lb.	165,497	170,063	170,312	14,242	14,589	13,442	15,038
Milk prices:								
All milk	Dol./cwt	15.05	12.11	12.51	11.90	11.70	11.40	11.00
Milk eligible for fluid use	Dol./cwt	15.09	12.11	12.53	11.90	11.80	11.40	11.00
Manufacturing grade milk	Dol./cwt	13.44	10.92	11.73	10.70	10.50	10.30	9.80
Class III (cheese milk) 3.5% fat	Dol./cwt	13.10	10.42	11.42	9.74	9.78	9.66	9.11
Class IV (butter-powder milk) 3.5% fat	Dol./cwt	13.76	10.81	10.00	10.49	10.07	9.81	9.79
Slaughter cow price, South St. Paul	Dol./cwt	44.78	40.09	46.88	37.16	38.63	40.22	42.31
Chicago Mercantile Exchange prices:								
Butter	Dol./lb.	1.6630	1.1059	1.1450	1.1198	1.0815	1.0405	1.0915
American cheese, 40-pound blocks	Dol./lb.	1.4387	1.1822	1.3172	1.1311	1.1507	1.0920	1.0817
American cheese, barrels	Dol./lb.	1.4052	1.1438	1.2703	1.1055	1.0929	1.0430	1.0469
Wholesale price:								
Nonfat dry milk, Central States	Dol./lb.	1.0083	0.9308	0.8439	0.9075	0.8562	0.8347	0.8375
Retail prices:								
Consumer Price Index	1982-84=100	177.1	179.9	184.0	180.9	181.7	183.1	184.2
All food	1982-84=100	173.1	176.2	180.0	177.3	177.5	178.3	178.6
Dairy products	1982-84=100	167.1	168.1	167.9	167.3	166.4	167.2	167.1
Fluid milk	Dec 1997=100	112.7	110.6	111.5	109.9	109.9	109.0	108.5
Other dairy products	Dec 1997=100	112.5	114.5	115.0	114.9	112.9	114.0	114.6
Dairy product output:								
Butter	Mil. lb.	1,231.8	1,355.1	1,239.6	127.6	141.4	128.4	126.3
American cheese	Mil. lb.	3,544.2	3,709.0	3,675.5	317.4	319.5	285.6	318.5
Other-than-American cheese	Mil. lb.	4,716.4	4,890.0	4,953.6	429.7	398.2	367.9	416.9
Frozen products 2/	Mil. gal.	1,300.3	1,280.1	1,322.6	80.5	96.7	100.9	114.0
All products (m.e.-fat)	Mil. lb.	102,648	109,037	107,452	9,092	9,422	8,729	9,535
Nonfat dry milk	Mil. lb.	1,413.8	1,569.0	1,491.6	132.5	133.8	130.4	146.3
Beginning stocks:								
Commercial butter	Mil. lb.	24.0	55.5	157.3	134.6	157.3	204.5	238.5
Commercial American cheese	Mil. lb.	521.1	448.3	493.1	473.6	493.1	514.6	538.5
Other cheese	Mil. lb.	185.2	210.9	236.8	223.0	236.8	246.3	231.2
Manufacturers' nonfat dry milk	Mil. lb.	146.3	124.5	90.5	73.9	90.5	99.6	104.5
All commercial (m.e.-fat)	Mil. lb.	6,839	7,041	9,889	9,110	9,889	11,186	12,046
All commercial (m.e.-skim)	Mil. lb.	8,801	8,085	8,433	7,908	8,433	8,849	9,005
All Government (m.e.-fat)	Mil. lb.	139	218	268	314	268	299	322
All Government (m.e.-skim)	Mil. lb.	6,028	9,070	12,212	13,439	12,212	12,124	12,527
Commercial disappearance:								
Butter	Mil. lb.	1,275.4	1,288.1	1,306.3	109.8	96.2	94.1	119.3
American cheese	Mil. lb.	3,681.7	3,730.3	3,713.1	296.4	303.1	268.2	324.9
Other-than-American cheese	Mil. lb.	5,058.9	5,252.3	5,366.0	455.6	411.0	409.5	439.8
Nonfat dry milk	Mil. lb.	946.4	792.6	770.1	54.1	47.2	40.5	41.9
All products:								
m.e.-fat	Mil. lb.	169,654	170,850	174,661	13,783	13,612	12,747	15,085
Milkfat	Mil. lb.	6,226	6,289	6,404	522	514	478	559
Skim solids	Mil. lb.	14,183	14,184	14,339	1,151	1,187	1,089	1,224
USDA net removals:								
Butter	Mil. lb.	0.0	0.0	29.1	0.0	0.6	2.9	5.0
Cheese	Mil. lb.	3.9	15.8	41.6	4.6	1.9	2.9	10.4
Nonfat dry milk	Mil. lb.	495.9	824.3	706.3	61.8	78.7	85.0	87.1
All products (m.e.-fat)	Mil. lb.	145	327	1,173	56	47	107	224
All products (m.e.-skim)	Mil. lb.	5,810	9,752	8,637	766	935	1,018	1,117
Imports:								
All products (m.e.-fat)	Mil. lb.	5,716	5,103	5,040	473	458	355	426
All products (m.e.-skim)	Mil. lb.	4,686	5,103	4,980	442	323	360	447
International market prices:								
Butter	\$/metric ton	1,391	1,158	1,416	1,280	1,280	1,220	1,259
Nonfat dry milk	\$/metric ton	2,019	1,348	1,744	1,630	1,753	1,725	1,691

1/ Some data series different than formerly published due to changes in availability.

2/ Hard ice cream, ice milk, and sherbet.

m.e.-fat (skim) = Milk equivalent, fat (skim solids) basis

NA=Not available

U.S. dairy situation at a glance (continued)

Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04
12,693	13,013	12,428	12,421	12,207	11,731	12,083	11,709	12,313	12,491	11,822
7,800	7,787	7,785	7,780	7,771	7,764	7,743	7,721	7,713	7,716	7,720
1,627	1,671	1,596	1,597	1,571	1,511	1,561	1,517	1,596	1,619	1,531
14,639	15,003	14,323	14,266	14,016	13,464	13,904	13,469	14,159	14,384	13,606
11.00	11.10	11.10	12.00	13.20	14.40	15.00	14.50	13.70	13.20	13.30
11.10	11.10	11.10	12.00	13.20	14.40	15.00	14.50	13.80	13.20	13.30
9.90	10.10	10.20	11.50	13.20	14.10	14.70	13.80	12.70	12.30	12.60
9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87	11.61	11.89
9.73	9.74	9.76	9.95	10.14	10.05	10.16	10.30	10.52	10.97	12.21
42.68	46.59	45.75	48.88	50.00	50.09	51.35	52.69	53.43	49.09	49.83
1.0906	1.0919	1.1142	1.1985	1.1708	1.1731	1.1846	1.2057	1.2969	1.4320	1.7132
1.1225	1.1421	1.1864	1.5123	1.6000	1.6000	1.5876	1.3932	1.3383	1.3062	1.3958
1.0902	1.1161	1.1562	1.4668	1.5736	1.5640	1.5364	1.2949	1.2621	1.2539	1.3586
0.8375	0.8375	0.8338	0.8419	0.8480	0.8500	0.8523	0.8500	0.8477	0.8366	0.8413
183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	185.2	186.2
178.4	178.8	179.6	179.7	180.4	180.7	181.7	182.4	183.6	183.8	184.1
165.8	165.4	163.9	164.7	167.5	170.3	171.8	171.2	173.0	172.4	172.1
109.0	108.7	108.0	108.3	109.8	115.3	117.2	117.3	117.5	116.7	115.8
114.9	115.2	113.1	115.2	116.0	115.6	115.8	116.0	116.7	116.1	118.3
122.7	114.7	83.8	79.5	70.1	73.1	97.0	88.0	114.4	131.9	NA
308.6	320.2	307.2	306.5	302.1	290.1	304.5	293.2	319.4	320.3	NA
412.8	422.0	407.3	410.7	406.9	422.0	436.9	417.2	434.8	414.9	NA
122.4	124.9	131.9	130.4	119.1	108.6	103.4	86.0	84.3	88.6	NA
9,535	9,666	9,040	8,928	8,486	8,327	8,782	8,097	8,905	9,249	NA
150.4	154.2	130.8	122.0	100.7	88.5	99.0	103.4	132.2	120.1	NA
242.4	258.6	289.0	290.6	272.7	244.3	197.0	159.1	113.8	93.4	151.2
529.2	531.7	536.0	546.2	546.3	537.8	508.0	481.6	460.3	481.8	508.5
240.5	246.4	252.5	250.1	256.5	247.6	245.3	231.3	228.3	233.0	238.8
122.4	128.8	128.3	123.2	89.5	75.3	69.2	69.4	87.3	107.7	101.8
12,110	12,548	13,303	13,442	13,114	12,352	11,001	9,777	8,542	8,332	9,879
9,206	9,382	9,491	9,536	9,229	8,891	8,472	8,019	7,948	8,439	8,699
394	525	618	726	734	733	717	718	604	582	468
13,029	13,607	13,877	14,354	14,403	13,903	13,512	12,590	11,561	10,405	10,011
105.9	82.8	80.9	97.2	98.8	119.7	135.9	135.4	140.1	82.2	NA
302.9	312.4	295.7	309.1	317.2	325.1	336.7	319.4	298.4	296.4	NA
438.4	447.6	438.6	447.5	446.3	457.2	490.7	463.4	476.0	430.5	NA
57.9	64.5	57.3	94.4	81.8	62.2	87.6	78.1	56.7	65.1	NA
14,321	14,338	14,309	14,884	15,003	15,044	15,470	15,069	14,779	13,266	NA
525	518	512	526	532	543	574	564	559	501	NA
1,189	1,220	1,170	1,214	1,215	1,183	1,271	1,211	1,163	1,194	NA
5.1	5.3	3.6	2.6	1.6	2.5	1.3	0.7	-2.0	-5.7	0.0
9.0	10.6	4.4	0.5	0.3	0.3	0.2	0.0	1.1	1.1	1.1
86.1	90.2	78.6	61.3	33.1	32.4	11.2	7.4	55.2	60.9	39.4
214	233	136	74	46	64	32	17	-21	-99	19
1,093	1,156	959	719	388	380	132	86	653	720	470
423	414	349	455	362	382	465	471	480	415	NA
393	397	330	477	379	399	474	500	500	288	NA
1,275	1,275	1,333	1,448	1,475	1,575	1,633	1,630	1,595	1,606	1,579
1,682	1,723	1,713	1,708	1,717	1,759	1,803	1,818	1,842	1,788	1,782

Milk production and factors affecting supply, 1980-2003

Year	January 1 inventory			Average milk cows on farms	Milk production		Average milk prices received		
	Milk cows and heifers that have calved	Replacement heifers 500 lbs. and over	Replacements per 100 cows		Per cow	Total	All	Eligible for fluid market	Manufacturing grade
	-----Thousand-----			Thousand	Pounds	Million pounds	-----Dollars per cwt-----		
1980	10,758	4,159	38.6	10,799	11,891	128,406	13.05	13.23	12.01
1981	10,849	4,342	40.0	10,898	12,183	132,770	13.77	13.95	12.72
1982	10,986	4,547	41.4	11,011	12,306	135,505	13.61	13.80	12.60
1983	11,047	4,545	41.1	11,059	12,622	139,588	13.58	13.75	12.61
1984	11,059	4,533	41.0	10,793	12,541	135,351	13.46	13.61	12.49
1985	10,777	4,770	44.3	10,981	13,024	143,012	12.76	12.90	11.72
1986	11,116	4,709	42.4	10,773	13,285	143,124	12.51	12.62	11.46
1987	10,466	4,305	41.1	10,327	13,819	142,709	12.54	12.66	11.37
1988	10,311	4,122	40.0	10,224	14,185	145,034	12.26	12.36	11.15
1989	10,137	4,117	40.6	10,046	14,323	143,893	13.56	13.66	12.38
1990	10,015	4,171	41.6	9,993	14,782	147,721	13.74	13.89	12.34
1991	9,965	4,093	41.1	9,826	15,031	147,697	12.27	12.30	11.05
1992	9,728	4,131	42.5	9,688	15,570	150,847	13.15	13.19	11.91
1993	9,658	4,176	43.2	9,581	15,722	150,636	12.84	12.88	11.80
1994	9,507	4,125	43.4	9,494	16,179	153,602	13.01	13.02	11.85
1995	9,482	4,121	43.5	9,466	16,405	155,292	12.78	12.80	11.79
1996	9,420	4,090	43.4	9,372	16,433	154,006	14.75	14.79	13.43
1997	9,318	4,058	43.6	9,252	16,871	156,091	13.36	13.40	12.17
1998	9,199	3,986	43.3	9,154	17,189	157,348	15.46	15.50	14.24
1999	9,133	4,069	44.6	9,156	17,772	162,716	14.38	14.42	12.84
2000	9,190	4,000	43.5	9,206	18,201	167,559	12.40	12.44	10.52
2001	9,183	4,057	44.2	9,114	18,159	165,497	15.04	15.08	13.44
2002	9,112	4,060	44.6	9,139	18,608	170,063	12.19	12.20	10.88
2003 1/	9,142	4,114	45.0	9,084	18,747	170,312	12.51	12.53	11.73

Year	Dairy ration value	Milk/feed price ratio 2/	Milk cow cost		Grain and other concentrates fed to milk cows			Alfalfa hay prices received by farmers	Slaughter cow prices 3/
			Price received per head	Milk required to buy a cow	Total	Per cow	Per cwt of milk		
	Dollars per cwt	Pounds	Dollars	Cwt	Thousand tons	-----Pounds-----	Dollars per ton	Dollars per cwt	
1980	7.42	1.76	1,190	91	28,433	5,260	44.2	72.00	45.73
1981	8.02	1.72	1,200	87	28,513	5,220	42.9	70.90	41.93
1982	7.45	1.83	1,110	82	29,661	5,380	43.7	72.73	39.96
1983	7.88	1.72	1,030	76	30,162	5,438	43.2	78.70	39.35
1984	8.16	1.65	895	66	28,449	5,253	42.0	79.48	39.81
1985	7.35	1.73	860	67	28,891	5,427	41.8	73.67	38.31
1986	7.00	1.79	820	66	29,913	5,534	41.8	64.85	37.18
1987	6.81	1.84	920	73	29,607	5,736	41.6	65.97	44.80
1988	7.74	1.58	990	81	29,853	5,820	41.2	82.51	47.91
1989	8.20	1.65	1,030	76	29,602	5,845	41.0	95.98	50.11
1990	7.98	1.71	1,160	84	32,402	6,397	43.7	92.56	53.32
1991	7.73	1.58	1,100	90	30,934	6,192	41.7	78.96	51.50
1992	7.68	1.69	1,130	86	31,572	6,417	41.6	75.45	49.69
1993	7.73	1.64	1,160	90	31,952	6,664	42.4	86.67	50.14
1994	7.98	1.62	1,170	90	32,469	6,840	42.3	93.97	45.03
1995	7.88	1.62	1,130	88	31,997	6,771	41.2	88.09	38.12
1996	9.30	1.59	1,087	74	31,665	6,777	41.1	93.76	33.00
1997	8.67	1.54	1,095	82	NA	NA	NA	110.69	36.93
1998	7.81	1.98	1,143	74	NA	NA	NA	94.29	35.54
1999	7.08	2.03	1,298	90	NA	NA	NA	81.97	37.28
2000	7.06	1.76	1,341	108	NA	NA	NA	85.03	40.08
2001	NA	NA	1,535	102	NA	NA	NA	102.27	44.78
2002	NA	NA	1,575	129	NA	NA	NA	101.86	40.09
2003 1/	NA	NA	1,340	107	NA	NA	NA	93.73	46.88

1/ Preliminary. 2/ Pounds of average concentrate ration equal in value to 1 pound of milk. 3/ Utility grade, Omaha 1965-87, Wisconsin auctions 1988-1999, and South St. Paul 2000 and after. NA = Not Available.

Milk cows and production by State and region, 2002-03

State and region	Milk cows		Milk per cow		Milk production			
	2002	2003 1/	2002	2003 1/	2002		2003 1/	
					mil. pounds	% US	mil. pounds	% US
Northeast	1,618	1,588	18,041	17,767	29,198	17.17	28,207	16.56
Maine	37	35	17,730	17,829	656	0.39	624	0.37
New Hampshire	18	16	18,222	19,063	328	0.19	305	0.18
Vermont	154	149	17,552	17,698	2,703	1.59	2,637	1.55
Massachusetts	21	19	17,190	17,474	361	0.21	332	0.19
Rhode Island	1.4	1.3	16,357	16,923	23	0.01	22	0.01
Connecticut	24	22	18,625	18,773	447	0.26	413	0.24
New York	675	671	18,101	17,812	12,218	7.18	11,952	7.02
New Jersey	13	13	18,154	16,615	236	0.14	216	0.13
Pennsylvania	585	575	18,419	17,979	10,775	6.34	10,338	6.07
Delaware	9.0	8.3	16,667	16,386	150	0.09	136	0.08
Maryland	81	78	16,062	15,795	1,301	0.77	1,232	0.72
Lake States	2,059	2,031	17,801	18,161	36,652	21.55	36,884	21.66
Michigan	301	302	20,332	21,060	6,120	3.60	6,360	3.73
Wisconsin	1,271	1,256	17,367	17,728	22,074	12.98	22,266	13.07
Minnesota	487	473	17,368	17,459	8,458	4.97	8,258	4.85
Corn Belt	874	850	17,087	17,820	14,934	8.78	15,147	8.89
Ohio	262	260	17,080	17,269	4,475	2.63	4,490	2.64
Indiana	151	149	17,603	19,758	2,658	1.56	2,944	1.73
Illinois	115	111	17,835	18,441	2,051	1.21	2,047	1.20
Iowa	209	201	18,201	18,806	3,804	2.24	3,780	2.22
Missouri	137	129	14,204	14,620	1,946	1.14	1,886	1.11
Northern Plains	300	293	16,930	17,485	5,079	2.99	5,123	3.01
North Dakota	40	36	14,825	15,389	593	0.35	554	0.33
South Dakota	86	82	14,988	16,159	1,289	0.76	1,325	0.78
Nebraska	67	64	17,418	17,641	1,167	0.69	1,129	0.66
Kansas	107	111	18,972	19,054	2,030	1.19	2,115	1.24
Appalachian	409	384	15,159	14,755	6,200	3.65	5,666	3.33
Virginia	119	113	15,891	15,319	1,891	1.11	1,731	1.02
West Virginia	16	15	15,188	14,800	243	0.14	222	0.13
North Carolina	64	61	17,766	17,115	1,137	0.67	1,044	0.61
Kentucky	122	116	13,230	12,621	1,614	0.95	1,464	0.86
Tennessee	88	79	14,943	15,253	1,315	0.77	1,205	0.71
Southeast	275	264	16,069	15,814	4,419	2.60	4,175	2.45
South Carolina	20	19	18,200	16,737	364	0.21	318	0.19
Georgia	85	85	17,294	16,988	1,470	0.86	1,444	0.85
Florida	150	142	15,387	15,218	2,308	1.36	2,161	1.27
Alabama	20	18	13,850	14,000	277	0.16	252	0.15
Delta States	114	103	12,719	12,563	1,450	0.85	1,294	0.76
Mississippi	34	31	14,059	13,645	478	0.28	423	0.25
Arkansas	32	29	12,281	12,138	393	0.23	352	0.21
Louisiana	48	43	12,063	12,070	579	0.34	519	0.30
Southern Plains	401	401	16,476	17,312	6,607	3.89	6,942	4.08
Oklahoma	84	82	15,560	16,000	1,307	0.77	1,312	0.77
Texas	317	319	16,719	17,649	5,300	3.12	5,630	3.31
Mountain	1,076	1,115	21,025	21,144	22,631	13.31	23,571	13.84
Montana	18	18	18,944	19,222	341	0.20	346	0.20
Idaho	388	404	21,018	21,718	8,155	4.80	8,774	5.15
Wyoming	4.4	3.8	14,409	14,211	63	0.04	54	0.03
Colorado	100	100	21,590	21,770	2,159	1.27	2,177	1.28
New Mexico	301	317	20,983	21,028	6,316	3.71	6,666	3.91
Arizona	147	155	23,333	22,284	3,430	2.02	3,454	2.03
Utah	93	91	17,914	17,747	1,666	0.98	1,615	0.95
Nevada	25	26	20,040	18,654	501	0.29	485	0.28
Pacific	2,017	2,060	21,267	21,023	42,892	25.22	43,304	25.43
Washington	247	245	22,753	22,780	5,620	3.30	5,581	3.28
Oregon	114	119	18,360	18,294	2,093	1.23	2,177	1.28
California	1,648	1,688	21,277	20,993	35,065	20.62	35,437	20.81
Alaska	1.3	1.3	13,600	12,846	18	0.01	17	0.01
Hawaii	6.6	6.5	14,667	14,154	97	0.06	92	0.05
United States	9,139	9,084	18,608	18,749	170,063		170,312	

1/ Preliminary

Commercial disappearance: Milk in all products, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Supply:													
Production	14,589	13,442	15,038	14,639	15,003	14,323	14,266	14,016	13,464	13,904	13,469	14,159	170,312
Farm use	91	83	91	89	91	88	91	91	89	91	89	91	1,075
Marketings	14,498	13,359	14,947	14,550	14,912	14,235	14,175	13,925	13,375	13,813	13,380	14,068	169,237
Beginning commercial stocks	9,889	11,186	12,046	12,110	12,548	13,303	13,442	13,114	12,352	11,001	9,777	8,542	9,889
Imports	458	355	426	423	414	349	455	362	382	465	471	480	5,040
Total supply	24,845	24,900	27,419	27,083	27,874	27,887	28,072	27,401	26,109	25,279	23,628	23,090	184,166
Utilization:													
Ending commercial stocks	11,186	12,046	12,110	12,548	13,303	13,442	13,114	12,352	11,001	9,777	8,542	8,332	8,332
USDA net removals	47	107	224	214	233	136	74	46	64	32	17	(21)	1,173
Commercial disappearance	13,612	12,747	15,085	14,321	14,338	14,309	14,884	15,003	15,044	15,470	15,069	14,779	174,661
Percent change from a year ago	1.6	1.3	2.0	6.1	-1.5	0.8	4.6	0.0	2.6	-0.2	2.7	7.2	2.2
Cumulative disappearance	13,612	26,359	41,444	55,765	70,103	84,412	99,296	114,299	129,343	144,813	159,882	174,661	
		First quarter		Second quarter		Third quarter		Fourth quarter					
		41,444		42,968		44,931		45,318					
Percent change from a year ago		1.7		1.7		2.4		3.1					

Commercial disappearance: Milkfat, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Million pounds													
Supply:													
Production	550	504	558	537	543	513	505	498	486	517	508	537	6,255
Farm use	3	3	3	3	3	3	3	3	3	3	3	3	39
Marketings	547	501	555	534	540	510	502	494	483	514	504	533	6,216
Beginning commercial stocks	364	411	442	445	461	488	493	481	453	404	359	314	364
Imports	16	12	15	15	14	12	15	12	13	16	16	17	173
Total supply	927	924	1,012	994	1,015	1,010	1,010	987	949	934	879	864	6,753
Utilization:													
Ending commercial stocks	411	442	445	461	488	493	481	453	404	359	314	306	306
USDA net removals	2	4	8	8	9	5	3	2	2	1	1	(1)	43
Commercial disappearance	514	478	559	525	518	512	526	532	543	574	564	559	6,404
Percent change from a year ago	1.2	1.0	1.1	5.8	-2.1	0.8	4.9	-0.3	1.9	-0.6	1.8	7.1	1.8
Cumulative disappearance	514	992	1,550	2,075	2,593	3,104	3,630	4,163	4,705	5,279	5,844	6,403	
		First quarter			Second quarter			Third quarter		Fourth quarter			
		1,550			1,554			1,601		1,697			
Percent change from a year ago		1.1			1.4			2.1		2.6			

Commercial disappearance: Skim solids, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Million pounds													
Supply:													
Production	1,279	1,165	1,308	1,272	1,302	1,235	1,217	1,194	1,154	1,210	1,177	1,226	14,739
Farm use	8	7	8	8	8	8	8	8	8	8	8	8	93
Marketings	1,271	1,158	1,300	1,264	1,294	1,228	1,209	1,186	1,146	1,202	1,169	1,218	14,646
Beginning commercial stocks	727	760	773	791	806	815	819	793	764	728	689	683	727
Imports	29	31	38	34	34	28	41	33	34	41	43	43	430
Total supply	2,027	1,949	2,111	2,089	2,134	2,071	2,069	2,012	1,944	1,971	1,901	1,944	15,803
Utilization:													
Ending commercial stocks	760	773	791	806	815	819	793	764	728	689	683	725	725
USDA net removals	80	87	96	94	99	82	62	33	33	11	7	56	739
Commercial disappearance	1,187	1,089	1,224	1,189	1,220	1,170	1,214	1,215	1,183	1,271	1,211	1,163	14,339
Percent change from a year ago	-0.8	4.9	1.0	2.1	1.1	0.5	5.1	-2.0	-2.1	1.3	1.7	1.1	1.1
Cumulative disappearance	1,187	2,275	3,499	4,688	5,909	7,078	8,293	9,508	10,691	11,962	13,173	14,337	
		First quarter		Second quarter		Third quarter		Fourth quarter					
		3,499		3,579		3,613		3,645					
Percent change from a year ago		1.5		1.2		0.2		1.4					

Commercial disappearance: Butter, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Supply:													
Production	141.4	128.4	126.3	122.7	114.7	83.8	79.5	70.1	73.1	97.0	88.0	114.4	1,239.5
Beginning commercial stocks	157.3	204.5	238.5	242.4	258.6	289.0	290.6	272.7	244.3	197.0	159.1	113.8	157.3
Imports	2.6	2.6	1.9	4.5	3.8	2.3	2.4	1.9	1.8	2.3	2.8	3.3	32.4
Total supply	301.3	335.5	366.7	369.6	377.1	375.1	372.5	344.7	319.2	296.3	249.9	231.5	1,429.2
Utilization:													
Ending commercial stocks	204.5	238.5	242.4	258.6	289.0	290.6	272.7	244.3	197.0	159.1	113.8	93.4	93.4
USDA net removals	0.6	2.9	5.0	5.1	5.3	3.6	2.6	1.6	2.5	1.3	0.7	-2.0	29.1
Commercial disappearance	96.2	94.1	119.3	105.9	82.8	80.9	97.2	98.8	119.7	135.9	135.4	140.1	1,306.7
Percent change from a year ago	-2.7	-4.3	2.2	27.0	-15.1	-1.9	2.2	-8.4	4.6	-8.8	0.6	27.6	1.4
Cumulative disappearance	96.2	190.3	309.6	415.5	498.3	579.2	676.4	775.2	894.9	1,030.8	1,166.2	1,306.3	
	First quarter			Second quarter			Third quarter			Fourth quarter			
	309.6			269.6			315.7			411.4			
Percent change from a year ago	-1.4			2.4			-0.5			4.6			

Commercial disappearance: Nonfat dry milk, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Million pounds													
Supply:													
Production	133.8	130.4	146.3	150.4	154.2	130.8	122.0	100.7	88.5	99.0	103.4	132.2	1,491.6
Beginning commercial stocks	90.5	99.6	104.5	122.4	128.8	128.3	123.2	89.5	75.3	69.2	69.4	87.3	90.5
Imports	1.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.3
Total supply	225.5	230.0	251.4	272.8	283.0	259.1	245.2	190.2	163.8	168.2	172.8	219.6	1,584.4
Utilization:													
Ending commercial stocks	99.6	104.5	122.4	128.8	128.3	123.2	89.5	75.3	69.2	69.4	87.3	107.7	107.7
USDA net removals	78.7	85.0	87.1	86.1	90.2	78.6	61.3	33.1	32.4	11.2	7.4	55.2	706.3
Commercial disappearance	47.2	40.5	41.9	57.9	64.5	57.3	94.4	81.8	62.2	87.6	78.1	56.7	770.4
Percent change from a year ago	-44.7	86.6	-23.1	-11.5	30.8	-8.8	35.6	-20.9	-23.7	1.3	33.7	4.8	-2.8
Cumulative disappearance	47.2	87.7	129.6	187.5	252.0	309.3	403.7	485.5	547.7	635.3	713.4	770.1	
	First quarter			Second quarter			Third quarter			Fourth quarter			
	129.6			179.7			238.4			222.4			
Percent change from a year ago		-19.8			1.2			-6.3			11.8		

Commercial disappearance: American cheese, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Million pounds													
Supply:													
Production	319.5	285.6	318.5	308.6	320.2	307.2	306.5	302.1	290.1	304.5	293.2	319.4	3,675.5
Beginning commercial stocks	493.1	514.6	538.5	529.2	531.7	536.0	546.2	546.3	537.8	508.0	481.6	460.3	493.1
Imports	7.0	9.4	7.5	5.8	7.1	3.1	3.2	6.9	5.5	6.0	4.9	1.6	67.8
Total supply	819.6	809.6	864.5	843.6	859.0	846.3	855.9	855.3	833.4	818.5	779.7	781.3	4,236.4
Utilization:													
Ending commercial stocks	514.6	538.5	529.2	531.7	536.0	546.2	546.3	537.8	508.0	481.6	460.3	481.8	481.8
USDA net removals	1.9	2.9	10.4	9.0	10.6	4.4	0.5	0.3	0.3	0.2	0.0	1.1	41.6
Commercial disappearance	303.1	268.2	324.9	302.9	312.4	295.7	309.1	317.2	325.1	336.7	319.4	298.4	3,713.0
Percent change from a year ago	-2.4	2.0	1.9	-1.5	-0.4	-7.0	5.2	-1.6	-5.8	6.3	-1.5	0.7	-0.5
Cumulative disappearance	303.1	571.3	896.2	1,199.1	1,511.5	1,807.2	2,116.3	2,433.5	2,758.6	3,095.3	3,414.7	3,713.1	
	First quarter			Second quarter			Third quarter			Fourth quarter			
	896.2			911.0			951.4			954.5			
Percent change from a year ago	0.4			-3.0			-1.1			1.8			

Commercial disappearance: Other-than-American cheese, 2003

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Million pounds													
Supply:													
Production	398.2	367.9	416.9	412.8	422.0	407.3	410.7	406.9	422.0	436.9	417.2	434.8	4,953.6
Beginning commercial stocks	236.8	246.3	231.2	240.5	246.4	252.5	250.1	256.5	247.6	245.3	231.3	228.3	236.8
Imports	22.3	26.5	32.2	31.5	31.7	28.9	43.2	30.5	32.9	39.8	43.2	45.9	408.6
Total supply	657.3	640.7	680.3	684.8	700.1	688.7	704.0	693.9	702.5	722.0	691.7	709.0	5,599.0
Utilization:													
Ending commercial stocks	246.3	231.2	240.5	246.4	252.5	250.1	256.5	247.6	245.3	231.3	228.3	233.0	233.0
USDA net removals													
Commercial disappearance	411.0	409.5	439.8	438.4	447.6	438.6	447.5	446.3	457.2	490.7	463.4	476.0	5366.0
Percent change from a year ago	3.4	0.3	-2.1	5.7	-0.8	3.2	9.1	-2.8	7.9	0.0	-0.8	4.5	2.2
Cumulative disappearance	411.0	820.5	1,260.3	1,698.7	2,146.3	2,584.9	3,032.4	3,478.7	3,935.9	4,426.6	4,890.0	5,366.0	
	First quarter			Second quarter			Third quarter			Fourth quarter			
	1260.3			1324.6			1351.0			1430.1			
Percent change from a year ago	0.4			2.6			4.5			1.2			

Poultry Costs and Returns Indexes

The Poultry and Egg Cost and Returns estimates that have been published monthly in the Livestock, Dairy, and Poultry Outlook report were originally developed to provide an estimate of the major costs and market prices facing the broiler, turkey, and egg industries. However, the complete dataset needed to estimate all the costs and the wide variety of market prices facing these industries on a monthly basis were not available. Therefore the calculations used to produce this series were simplified. On a monthly basis, changes in feed costs were based on monthly changes in the prices of soybean meal and corn. The amount of lag in the feed prices varied for each of the three industries. The remaining coefficients and other costs used in developing the production, and marketing costs were constants. To simplify the market prices facing the various industries, the price of only one specific product for each industry was used.

The net returns series were originally developed to examine changes in the cost of production and market value for specific products that were basic to the broiler, turkey, and egg industries. Because feed prices are readily available and are the largest single component of production costs, changes in feed costs were utilized to represent monthly changes in production costs. Since these industries are vertically integrated between the production and processing sectors, changes in prices at the wholesale level were used to represent changes in market prices.

The Poultry and Egg Costs and Returns dollar estimates are going to be replaced by indexes for the following reasons. First, by converting these costs and prices to indexes we can still examine changes in the two main factors that impact returns for these industries. In addition, the use of indexes shifts the focus of the data to the relative changes and away from absolute net returns values that have been the primary source of concern to a number of segments of the poultry industry.

Second, in addition to developing the new indexes, the table has been changed and simplified. There would be only three indexes for each segment of the poultry industry. One representing feed costs, one representing wholesale market prices, and the third would represent the difference between the

two. This sounds like a great reduction in the amount of information being published, but in reality it is not. As it stands now, the only price changes moving the production cost figures on a monthly basis are changes in feed prices. The additional elements of production costs are based on constant benchmarks for additional growing costs and processing and marketing costs. Since only the feed costs are changing, why not develop and publish only an index for feed costs?

Third, by dropping the benchmarked estimates of further production costs and processing and marketing costs, an index based on the wholesale composite price for broilers could be used in place of the current price series which is a weighted-average price in 12 cities for whole birds. While even the wholesale composite price does not fully capture the entire range of products sold, its use of a variety of parts prices comes closer to the range of prices actually facing a broiler integrator. The price indexes for turkey and eggs would continue to use the market prices as in the old series.

Fourth, by showing only indexes of feed costs and wholesale market prices, the index of the difference between these two prices ceases to be a net returns estimate. The use of the term "net returns" was probably the chief factor causing estimates presented in the old series to be misused in the past. While no longer showing an estimate of net returns, this series still actually provides the same amount of data as before. In the case where the wholesale broiler composite price is used to construct the market price index, users will have a greater amount of data available.

Fifth, agency resources can be directed towards improvements in the indexes representing feed costs and market prices. While the Economic Research Service has already developed a wholesale composite price for broilers to better represent the spectrum of products being sold by broiler integrators, a similar composite price could be explored for the turkey and egg industries.

Broiler, turkey, and egg feed costs and market prices

	DECATUR SOYBEAN MEAL	CHICAGO No. 2 CORN	Feed costs Liveweight Basis	Market Price	Market Price - Feed costs
BROILERS	\$ / ton	\$ / bushel	1998-2000=100	1998-2000=100	1998-2000=100
Jan-2003	167.40	2.41	105.4	97.4	94.5
Feb-2003	176.80	2.43	104.5	106.9	107.7
Mar-2003	175.40	2.43	105.1	106.2	106.6
Apr-2003	182.10	2.48	107.1	104.6	103.6
May-2003	195.40	2.54	106.9	112.3	114.2
June-2003	191.90	2.49	108.9	117.1	120.1
July-2003	187.30	2.26	112.2	119.9	122.7
Aug-2003	189.70	2.31	110.7	126.2	131.7
Sept-2003	235.20	2.34	106.2	126.3	133.4
Oct-2003	225.20	2.27	107.4	120.7	125.4
Nov-2003	242.00	2.35	115.8	121.8	123.8
Dec-2003	231.54	2.49	113.0	123.6	127.4
Jan-2004	252.15	2.64	117.2	129.8	134.3
TURKEYS	\$ / ton	\$ / bushel	1998-2000=100	1998-2000=100	1998-2000=100
Jan-2003	167.40	2.41	108.9	89.7	81.0
Feb-2003	176.80	2.43	105.6	89.7	82.5
Mar-2003	175.40	2.43	104.5	90.5	84.1
Apr-2003	182.10	2.48	105.4	90.7	84.1
May-2003	195.40	2.54	108.0	89.3	80.8
June-2003	191.90	2.49	107.6	89.0	80.5
July-2003	187.30	2.26	110.2	86.9	76.3
Aug-2003	189.70	2.31	114.4	86.6	74.0
Sept-2003	235.20	2.34	112.6	91.6	82.1
Oct-2003	225.20	2.27	107.1	97.6	93.3
Nov-2003	242.00	2.35	108.6	100.8	97.2
Dec-2003	231.54	2.49	119.7	95.8	84.9
Jan-2004	252.15	2.64	116.1	90.8	79.4
EGGS	\$ / ton	\$ / bushel	1998-2000=100	1998-2000=100	1998-2000=100
Jan-2003	167.40	2.41	107.4	92.8	85.2
Feb-2003	176.80	2.43	108.0	90.2	80.9
Mar-2003	175.40	2.43	110.0	96.9	90.0
Apr-2003	182.10	2.48	109.8	96.1	88.9
May-2003	195.40	2.54	112.1	80.0	63.2
June-2003	191.90	2.49	115.7	93.4	81.8
July-2003	187.30	2.26	113.9	97.0	88.2
Aug-2003	189.70	2.31	107.5	115.8	120.1
Sept-2003	235.20	2.34	109.2	116.1	119.7
Oct-2003	225.20	2.27	117.2	124.2	127.9
Nov-2003	242.00	2.35	113.9	151.7	171.4
Dec-2003	231.54	2.49	118.6	145.3	159.3
Jan-2004	252.15	2.64	120.3	142.5	154.1

Sources: Corn and soybean prices - AMS Grain and Feed Weekly Summary.
 Broilers, wholesale composite price - ERS.
 Turkeys, 3-region wholesale whole bird price - ERS.
 Eggs, 1 dozen Grade A large combined regional price - ERS.